



TEXAS DEPARTMENT OF AGRICULTURE  
**COMMISSIONER SID MILLER**

**Texas Community Development Block Grant Program**

**Monitoring  
Administrator Workshop**



## Role of Compliance Monitor

- Conduct Comprehensive Monitoring
  - Grant Recipient's Performance
  - Review Project Records
- Detect and identify possible fraud and abuse

Before we get into the nitty gritty of the fast-paced deep dark process our internal sleuths, also known as monitors, I want to collect some information from the room that will come into play later. For those of us who spent our childhoods anywhere between the 60's and 90's, you might figure out where this is going. You'll have to be patient for the outcome. The same level of patience you may or may not need to wait for our monitoring reports. I'm going to collect a series of words and phrases from y'all:

- Verb, past-tense, negative connotation
- Noun for a type of asset
- Verb ending in -ing
- A type of unexpected event
- An action or process – generally positive
- Job title
- Type of fine or ticket
- Type of penalty or punishment

The Texas Community Development Block Grant Program is responsible for ensuring that CDBG funded activities are **completed, and funds are expended in accordance with the provisions of the agreement and applicable regulations, policies, and related statutes**. In order to fulfill this responsibility, TDA has established the agreement compliance process.

The Monitor will **conduct a comprehensive compliance review of the Grant Recipient's records to ensure that these requirements are met including:**  
**GR Performance-** review the activities completed and ensure that the bene's identified

in PS are being served.

**Review records** including procurement of all vendors/service providers, review executed contracts, ensure compliance with labor laws/regulations, review civil rights, review all financial records and *any other project related activity regardless of funding*. **Ensure that the city/county** has sufficient policies and procedures to ensure adequate controls in place to protection against **fraud and misuse of funds**. *If potential fraud is identified, of course, we would escalate to the proper authorities- likely to HUD's Office of Inspector General.*

Our process seeks to answer many questions such as: Does the city/county have adequate controls in place to ensure – grant or community- funds are not misappropriated. Does there appear to be any conflict of interest? appropriate use of funds? Conduct a comprehensive review of funds identified in the budget and **related costs** have been expended accordingly.



## Role of Compliance Monitor

- Technical Assistance
  - Training opportunities
  - Avoid potential issues in future
- Identify Corrective Action
  - Require appropriate action

Provide technical assistance

**Training Opportunities** - TDA staff , consultants or grant recipients

**Reveal a need for additional technical assistance or further guidance** so that a community does not have a finding or ineligible costs in the future

If failure to comply with local law, regulations, or program policy is identified, the city/county will be issued a "Finding" which requires submission of a CAP- more on that later....

Note: corrective action might be to submit additional records that verify compliance.

**Compliance staff provide: program oversight - internal and external**



## Review Types

TxCDBG project will fall into one of these categories:

- Self-Monitoring Review
- Desk Review
- On-Site Review

*All projects require comprehensive review of financial management records.*

A Monitoring Review will generally be conducted when at least seventy-five percent of the CDBG funds are drawn, and the construction or project activities are substantially completed or if the closeout process has begun in TDAGO

The three methods of monitoring reviews that TDA utilizes are **self-monitoring, desk review, and on-site review**.

In order to determine the method of review, *TDA uses a risk assessment tool to objectively evaluate the programmatic compliance risk of CDBG-funded projects*

Each type of **review includes an examination of the Grant Recipient's project records to assess compliance.**

However, non-standard checklist or categories may also be included in a review if the project includes special types of projects, such as housing rehab.

Each type of monitoring review will require specific responses or documentation.

***Regardless of the monitoring type, all projects require comprehensive review of financial management records. This includes both grant and local funds injected***



## Self-Monitoring Review

- Projects generally rated as “low-risk”
  - Complete all requested sections

Procurement (Self-Monitoring)	<input type="checkbox"/>	
Labor Standards (Self-Monitoring)	<input checked="" type="checkbox"/>	
Civil Rights Review (Self-Monitoring)	<input checked="" type="checkbox"/>	
Post Release (Self-Monitoring)	<input type="checkbox"/>	
Financial Management	<input checked="" type="checkbox"/>	<a href="#">Select</a> <a href="#">Drag File Here</a>
Environmental Review - Post Release	<input type="checkbox"/>	<a href="#">Select</a> <a href="#">Drag File Here</a>
Acquisition of Real Property	<input type="checkbox"/>	<a href="#">Select</a> <a href="#">Drag File Here</a>

- Organized project related financials

10% may be selected for desk review

A CDBG agreement rated as low risk generally qualifies for a Self-Monitoring review; however, at least 10% of low-risk agreements will be randomly selected for a desk review.

The Monitoring Review will be initiated by TDA staff in TDA-GO. The Compliance Monitor will select the areas for review and type/method of review, as indicated on the Monitoring Documentation Request form and an automated email notice will be delivered to certified administrators (Project Director and Consultant roles) assigned to the grant document at least two weeks prior to the date requested documents are due.

Please be sure to **upload all financial management records** and **complete the appropriate self-monitoring checklists**. **All Financial Management Records must be submitted and include:**

Copies of draw requests

Bank records verifying grant-related and match related transactions

Financial Interest Reports

Copy of the ledger used for tracking project fund receipts and disbursements

Most recent audit

Fidelity Bond, if any

**Send a ledger with your financials. As well as a set of organized and legible documents!!!**

Consider putting the deposit slip and copies of cleared checks behind each correlating payment request.

If part of invoices is both grant and match- indicate on invoice and ledger.

*We must have a complete set of match or cost overruns prior to approving the closeouts.*

*HINT: If you have them, send them now instead of waiting for us to ask once the PCR is forwarded to compliance.*



## Monitoring Procedures

- Complete each question
- Include clarification when appropriate
- If violations are identified, submit:
  - Relevant documentation
  - Grant Recipient written CAP
  - Evidence that finding can be remediated

The screenshot shows a web-based monitoring form. The left sidebar contains a navigation menu with items like 'Forms', 'Monitoring Reports', 'Monitoring Plans', 'Monitoring Results', 'Monitoring History', 'Monitoring Alerts', and 'Monitoring Settings'. The main content area displays a questionnaire with several questions, each with a 'Yes' or 'No' response field. A red box highlights a 'Submit Finding Note' button. At the bottom right, there is a 'Final Review Date' field set to 'June 1, 2022'.

If the GR conducted multiple Procurement processes, repeat the steps for each service provider. The same process would be followed for Labor Standards self-review if your project involved multiple Prime construction contractors.

You must answer all questions for each selected activity. Include clarification or further explanation if needed in the comments box.

**INCLUDE ADDITIONAL INFORMATION AS REQUESTED. MONITORING REVIEW WILL BE RETURN FOR INSUFFICIENT INFORMATION**

If the GR failed to follow TDA procedures or violated a federal law or regulation, the GR should ***self-report the violation and include an executed Corrective Action Plan. – more on CAP later in presentation***

When the applicable steps are completed, the checklist must be certified by the Authorized Official and CDBG certified administrator. The AO must change the status to “submit” the Monitoring Form.

Again, all reviews regardless of the “method” requires submission of the financial records as specified in Chapter 13 of the CDBG Implementation Manual.





## Monitoring Procedures

### Common Errors

- Identify all vendor contracts
- Ensure Labor section is complete
- Details are important!

### Corrective Action is follow-up

- Document messages
- Monitoring Finding Report
- Submit revisions - CAP

The screenshot shows a sidebar menu with the following items:

- Forms
  - Monitoring Documentation Request
  - Working Papers
- Status Options
  - Monitoring Follow-up Required (highlighted with a red box)
  - Monitoring Pending Final Financial Review
  - Monitoring Report Complete
  - Cancel Monitoring Review
- Tools
  - Document Framework
  - Add/Edit People

For procurement, please be sure to repeat steps for **all vendor contracts and check the appropriate method of procurement.**

click the form and type the vendor's name and select the appropriate "type of procurement" (such as in this example- construction sealed bids) . The system will auto populate the forms to the completed.

the same process would be followed for Labor Standards self-review if your project involved multiple Prime construction contractors.

Some of the issues I've noticed this 1<sup>st</sup> year is:

Labor page: if the LSO requested additional wage classifications and rates don't answer Yes without including the "classifications and rates" in the clarification box.

If there was an addendum issued or change in BO date, include explanation, dates, date of additional publication notices, etc.

add type of fair housing activity. If city council Proclaimed FH month – how was the public notified? where and when did the GR post or publish the public notice?

be sure that MSR's are correctly identified. Ive seen several lately that indicted a competitive bid for construction contractors – they should have been marked "sealed bids"

Please READ question before indicating yes, no or NA another words, "NO" is not always the wrong answer.For instance:

ERR question is: "Did the Grant Recipient commit HUD funds or non-HUD funds or undertake a choice-limiting action prior to the State's environmental clearance?" The

answer is hopefully NO not YES, as that would be a very serious violation

TDA staff cannot changed or correct any responses on these checklists – so please be careful so the forms don't have to be returned for revisions.

When the applicable steps are completed, the Authorized Official must change the status of the Monitoring Form.

IF A FOLLOW-UP IS REQUESTED, ONCE REVISIONS AND ADDL DOCUMENTATION SUCH AS CAP OR RECORDS ARE UPLOADED, THE AO MUST "SUBMIT" THE DOCUMENTATION TO TDA

No longer will compliance staff send separate emails or notices that a review was initiated in TDAGO. I highly encourage GR and Consultants to periodically check TDADO task for notices or follow-up requests.



## Desk Monitoring Review

- Projects generally rated as “medium-risk”
- Interim Reviews
- Randomly selected low-risk agreements
  - Separate and independent review of all records
  - Records must be organized

TDA reserves the right to conduct a desk review

**A CDBG agreement rated as medium risk will receive a desk monitoring review.** Typically conducted because it qualified:

- medium risk according to the risk-based tool.
- Or it may have been low risk but was selected as part of the 10% random tool.
- Again, on occasions we **may conduct an Interim reviews, due to the GR request, a Complaint received or Program staff request.**

When scheduling a desk-review, **TDA will notify the Grant Recipient at least two weeks prior as to what documentation will be required.**

We realize that some of the documents such as civil rights may have already been sent to TDA however, **we are conducting a separate and independent review of the GR and internal (TDA) records to ensure compliance. Please be sure to upload a complete set of records.**

Also keep in mind that a desk-review may be conducted if TDA determines that a **desk-review is appropriate due to an alleged policy violation reported or management discretion**

If a desk review requested, please be sure to upload a complete set of **organized** records.

Please **separate and label or outline sections between records to ensure that the uploaded files are complete and submitted in a well thought-out manner.**

Once the TDA the compliance monitor has reviewed the records and determined compliance, he or she will follow-up with either a preliminary finding or follow-up or formal written report of the GR overall performance.



## On-Site Monitoring Review

- Projects specifically requiring on-site review
- Projects generally rated as “high-risk”
- A complaint or request is received

### TDA monitor will:

- Review local files
- Meet with local official and appropriate staff
- Tour project site(s)
- Conduct exit conference

TDA reserves the right to conduct an on-site review

A CDBG agreement rated as high risk will receive an on-site monitoring review. On-site-reviews are typically conducted once at least 50% of funds are drawn, a complaint is reported to TDA that merits on-site monitoring and/or if TDA determines that an on-site review is appropriate.

When scheduling an on-site review, TDA will notify the Grant Recipient at least two weeks prior to the purpose of the review and schedule an entrance conference with appropriate local officials and their representatives.

The compliance monitor will:

review all applicable local files,

interview GR’s staff, engineers, consultants and/or project beneficiaries, as appropriate

tour the project(s) site - local official or staff who are knowledgeable about the project

activities may need to accompany the monitor to answer questions about the accomplishments or construction completion.

Conduct an exit conference to present the preliminary concerns or findings which may result with a formal written report.

*We do our best to resolve any concerns or findings at the preliminary stage. It truly not our goal to write long finding or concern letters and will give the GR an opportunity to provide missing documents or provide clarification on concerns/finding identified during the review. Again, TDA maintains discretion to monitor as needed or requested by management.*



## Decision Categories

### Monitoring Review conclusions:

- ✓ In compliance
- ✓ Substantially the same as Performance Statement
- ✓ Concerns identified
- ✓ Technical Assistance is needed
- ✓ Findings revealed, require further action

As a result of the review, the monitor may reach one or more conclusions:

- The Grant Recipient's performance was in compliance with the requirements of the CDBG program;
- Project achievements were substantially the same as outlined in the agreement performance statement;
- Concerns about the project's performance must be brought to the attention of the Grant Recipient;
- Technical assistance was provided and/or is necessary as guidance to avoid potential issues in the future and/or;
- Findings are revealed that require corrective actions.

The **Monitoring Report conclusion(s), whether positive or negative, are supportable and adequately documented to identify every finding and/or concern.**

According to HUD, a finding is a violation of law, regulation, or program policy that can result in a sanction, whereas a concern is a deficiency in program performance not entirely based on statutory, regulatory, or program requirements. But it may be a matter that if not properly addressed, can become a finding and can result in a sanction.

Any non-compliance issues or findings will be addressed in the monitoring report:

Details findings and/or concerns

Provides resolutions and/or recommendations to resolve findings and/or concerns

Please keep in mind that *Resolution of a finding may require submission of a corrective action plan*



## Monitor Review Report

- Monitoring Complete Letter
- Non-Compliance Letter
  - Details findings and/or concerns
  - Provides actions required to resolve findings
    - Resolution of a finding may require a corrective action plan
    - Finding may result in disallowed costs or a reduction in funding

The Grant Recipient must provide a complete response in writing within **30** days from the date of the findings letter

Once monitoring review is complete, the compliance monitor will issue a formal written report.

- all outstanding records are provided / no findings found, the monitor will issue the "Monitoring Complete Notice"

- reveals findings and/or concerns, the monitor prepares a **report that outlines the non-compliance findings and/or concerns** and identifies resolutions and/or recommendations.

According to HUD rules

A "finding" is a violation of law or regulation or program rule that can result in a sanction.

A "concern" is a matter that, if not properly addressed, can become a finding and can result in a sanction. We do not generally require an official response to concerns that have not been escalated to a finding.

Any non-compliance issues or findings will be sent in letter:

- Details findings and/or concerns
- Provides resolutions and/or recommendations to resolve findings and/or concerns

please note that Resolution of a finding may require a corrective action plan Or may result in disallowed costs or other sanctions such as a reduction of grant funds or period of ineligibility



# Role of Compliance Monitor

## City of Cityton

July 17, 2024

### CORRECTIVE ACTION PLAN

During a compliance desk review of the Cityton TxCDREG project #CDY23-0000, TDA staff issued a finding for improper (verb past-tense, negative of issue for type of asset).

The City has identified the cause of this finding to be City staff (verb ending in -ing during for unexpected event).

The City will (action or process - positive). Additionally, the City has added the tracking of (action/process above) to the (job title's) job duties.

The (job title above) will ensure future TxCDREG compliance of (verb past-tense above) of (type of asset above). The City Mayor will be the certifying officer responsible for implementing the above steps.

This Corrective Action Plan will be effective from this date, July 17, 2024, and will remain in effect for current and future TxCDREG awards.

The City of Cityton acknowledges that failure to effectively improve performance may result in a (type of fine or action) or (type of penalty) as determined by TDA. ]

Certified by:

John JacobshinerSchmidt

Mayor, City of Cityton.

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In order to resolve a Finding or Performance Deficiency, TDA may require the Grant Recipient to develop a written corrective action plan (CAP). But before we break down the requirements of an acceptable corrective action plan, let's plug in our mad lib prompts we came up with earlier to see how well we did in addressing the issues identified from our compliance review.

**(read Mad Lib)**





## Corrective Action Plan (CAP)

1. Acknowledgment
2. Identify the cause
3. Identify parties to the CAP
4. Identify the certifying official
5. Date of implementation
6. Acknowledge outcome of future sanctions

Of course, a real CAP is going to take a bit more effort than a mad lib. There should be substance and specifics that are tailored to the locality's actual needs to address the issues identified.

The CAP is subject to TDA's review prior to acceptance and must specifically address the known cause(s) of the violation or performance issue and provide **a substitutive (manageable) plan for improving future performance**.

CAPs must be on the Grant Recipient's letterhead, signed by the certifying officer, and, at minimum, must include the following 6 parts.

- 1) A statement acknowledging the violation determined in TDA's monitoring finding.
- 2) Identify the cause of the violation and specify the process to be implemented for improving performance and complying with program requirements.
- 3) Identify who will be involved in the process.
- 4) Name a certifying officer responsible for implementing the plan.
- 5) Provide the date on which the plan of action will be implemented, which includes a statement affirming that the CAP will remain in effect for any future TxCDBG awards.
- 6) A statement acknowledging that failure to effectively improve performance may result in a reduction of funding or other sanctions as determined by TDA.



## Non-compliance Procedures

- Response due within date specified
- Failure to resolve non-compliance:
  - Funds on hold
  - Disallowance of costs/deobligated
  - Reduction of administrative fees
  - Other settlement:
    - Scoring penalty
    - Prohibition from applying

1) Grant Recipient must provide a complete response in writing within 30 days. If more time is need, the grant recipient must request additional time- ***please do not ignore the letter***

2.) Failure to resolve non-compliance findings and/or concerns may result in:

- remaining balance of the TxCDBG funds is placed on hold, or de-obligated;
- Unresolved findings may result in repayment of funds;
- or cause a reduction in the reimbursement of administrative fees in accordance with program policy.

- o Acquisition 10%
- o Environmental Clearance 15%
- o Equal Employment Opportunity/Fair Housing 10%
- o Labor Standards 15%
- o Inaccurate or incomplete reporting 10%

penalized in the scoring process for future funding

Serious or unresolvable noncompliance may result in prohibition from applying for TDA grant funds for period of time



## Non-Compliance Procedures

Violation	Amount of Reduction
• Acquisition	10%
• Environmental clearance	15%
• Equal opportunity/fair housing	10%
• Labor standards	15%
• Financial management	10%
• Procurement	15%
• Inaccurate, incomplete, or delinquent reporting	10%
• Progress Reports	
• Project Completion Report	
• Section 3 Report	
• Required written response failing to meet an established due date	

**Failure to resolve non-compliance findings may result in the deobligation of any remaining grant funds or repayment of any disallowed costs.** Furthermore, **violations regarding the on-screen categories may cause a reduction in the reimbursement of administrative fees in accordance with the table on this slide.**

While the budget reductions are typically levied against the administrative budget line, the cause of the violation may not have been a result of the grant administrator's actions or inactions. Therefore, it is up to the Grant Recipient and the applicable parties to resolve any dispute resulting from the budget reduction.

**Note that if the CDBG budget does not include an administration category or cost, TDA may reduce funds from another budget line item.**

Violations may cause the Grant Recipient to be:  
penalized in scoring for future applications  
precluded from applying for future funding for a specified period of time  
or other sanctions that are deemed allowable by program rules, regulations, policies, agreement provisions, and law.

**Post Monitoring Report**

Required prior to closeout:

- Supplemental financial records
- Ensure project objectives have been fulfilled
- Provide other related documents, if applicable

Final Financial Review		Select	Drop files here	Requested
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New: Closeout approval is competed by program and NOT by program monitor. GR will not receive an Administratively Complete letter.

Prior to closeout approval, the **assigned monitor must ensure that any additional documentation not previously reviewed for compliance is submitted for review.**

This may include additional documents such as:

supplemental financial records (grant, local & additional/cost overruns)- The AO has certified the project is complete, thus these records should be readily available other related records such as labor or additional procurement that occurred after the monitoring review

ensure that Project activities have been fulfilled, including beneficiaries and cost eligibility

The program monitor will change the status to “Monitoring Follow-up Required” in order to allow the GR to upload the required documentation.

Closeout WILL NOT be approved until all records have been submitted and accepted.

Upload the financials records in the “Final Financial Review” section. Keep in mind the AO must again submit the document.

If the project was competed and the monitoring review has not been conducted, please contact your assigned monitor asap as the closeouts cannot be uploaded until the review is at least initiated by the monitor.



## Administratively Complete

### **2 CFR 200.344 closeout of CDBG award does not affect:**

- TDA's right to disallow costs and /or recover funds on the basis of a later audit or other review;
- The Grant Recipient's obligation to return funds as a result of subsequent refunds, corrections or other transactions;
- Grant Recipient's responsibilities for record retention;
- TxCDBG property management and disposition requirements; and/or
- Audit requirements

Once all related expenditures have been submitted, any non-compliance findings are resolved and acceptable close-out reports are received, the agreement status will be changed to administratively complete.

However, its important to keep in mind that 2 CFR §200.344 specifies that the administrative closeout of a CDBG award does not affect single audit requirements or TDA's right to disallow costs or recover funds identified at a later review. If any discrepancies are found, the GR is obligated to return any ineligible costs and/or make payments to vendors not reimbursed properly and document the records.

In addition, 2 CFR 200.334 states that Grantees or subgrantees must retain all required records for three years after grantees or subgrantees make final payments and all other pending matters are closed.

**RESOURCES** such as sample monitoring checklist, list of support documentation and instructions are in chapter 13.

# Questions/Comments



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