Subrecipient Monitoring Guide
Community Development Block Grant (CDBG)
CDBG-Funded Programs & Projects

Updated July 2026

Housing and Community Development Division
City of Medford | Planning Department
200 S. Ivy Street
Medford, OR 97501
(541) 774-2380 | hcd@cityofmedford.org

Table of Contents

INTRODUCTION

This handbook is designed to help subrecipient agencies understand the monitoring policy and requirements that apply to the use of Federal Funds for the delivery of CDBG programs and activities.

The U.S. Department of Housing and Urban Development (HUD) requires all jurisdictions that receive Community Development Block Grant (CDBG) funding (grantees) to manage and monitor their subrecipients' performance and compliance with federal rules and regulations. The monitoring compliance review process provides technical assistance, determines status of CDBG-funded activities, evaluates subrecipient's financial management system, and assesses compliance with federal rules and regulations. Monitoring provides an opportunity to collaborate and recognize the subrecipient's accomplishments and areas for improvement.

Proper documentation and record keeping systems are essential to verify programmatic and financial compliance. Examples of the monitoring process are outlined in the following pages of this handbook. Additional documentation may be required as determined by the monitor.

The contract/agreement compliance monitoring performed by Housing and Community Development (HCD) Division staff is different from the annual audit required to be performed by a Certified Public Accountant according to the Single Audit Act. Monitoring is not an audit of the agency, but rather is focused on the "program" that is funded with CDBG grant funds.

To meet HUD requirements, the City may conduct an on-site or virtual monitoring visit or, in certain instances, the City may conduct a "desk-top" monitoring visit, whereby the agency is not visited, and their grant is monitored only by review of the information in City files. The City will conduct a risk assessment to determine which organization(s) will be monitored. Organizations selected for monitoring will receive an email with instructions and requirements.

Subrecipient Monitoring Regulatory Authority

- 24 CFR 570.501(b) "[the grantee] is responsible for ensuring that CDBG funds are used in accordance with all program requirements. The use of . . . Subrecipients . . . does not relieve the recipient of this responsibility. The recipient is also responsible for determining the adequacy of performance under Subrecipient agreements . . . and for taking appropriate action when performance problems arise…"
- Subpart J of 24 CFR Part 85 "Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor . . . subgrant-supported activities to assure compliance with applicable Federal requirements and that

performance goals are achieved. Grantee monitoring must cover each program, function, or activity."

- 24 CFR 200.332(d) "Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved."

MONITORING OBJECTIVES

- To determine if a subrecipient is carrying out its community development program, and its individual activities, as described in the application for CDBG funding and in the Subrecipient Agreement.
- To review records and determine if systems are in place to properly document the provision of services, client eligibility, and compliance with any other contract/agreement/agreement requirements.
- To determine if a subrecipient is carrying out its activities in a timely manner, in accordance with the schedule included in the Agreement.
- To determine if a subrecipient is charging costs to the project that are eligible under applicable laws and CDBG regulations, and reasonable in light of the services or products delivered.
- To determine if a subrecipient is conducting its activities with adequate control over program and financial performance, and in a way that minimizes opportunities for waste, mismanagement, fraud, and abuse.
- To assess if the subrecipient has a continuing capacity to carry out the approved project, as well as future grants for which it may apply.
- To identify potential problem areas and to assist the subrecipient in complying with applicable laws and regulations.
- To assist subrecipients in resolving compliance problems through discussion, negotiation, and the provision of technical assistance and training.
- To provide adequate follow-up measures to ensure that performance and compliance deficiencies are corrected by subrecipients, and not repeated.
- To comply with the Federal monitoring requirements of 24 CFR 570.501(b) and with 24 CFR 84.51 and 85.40, as applicable.
- To determine if any conflicts of interest exist in the operation of the CDBG program, per 24 CFR 570.611.
- To ensure that required records are maintained to demonstrate compliance with applicable regulations.
- To ensure required records are maintained to demonstrate compliance with applicable regulations.

MONITORING PROCESS

The City of Medford will ensure Subrecipients comply with all regulations and requirements governing their administrative, financial, and programmatic operations. This includes assuring that performance goals are achieved within the scheduled period, budget and, when necessary, taking appropriate actions when performance problems arise. Monitoring is not a "one-time-event".

During the fiscal year, monitoring will take place for all Subrecipients. Remote or desk monitoring will be conducted by evaluating various in-house materials such as: applications for funding, written agreements, reimbursement requests, progress reports, previous monitoring determinations and audits. This information is a part of the risk-based monitoring system and will allow the City to better track program progress and provide technical assistance as needed.

The basic steps for either a formal desk review or an on-site monitoring visit include:

1. Notice of Monitoring Visit Letter – Sent to the Executive Director with date and time of visit
2. Entrance Conference – Takes place the day of the monitoring visit with all appropriate staff
3. Monitoring – Documents are viewed and the monitoring checklist is completed
4. Exit Conference – Next steps are communicated and all questions or concerns can be answered
5. Follow Up (if applicable) – Findings are remedied and plans are put in place to avoid future issues

Notice of Monitoring

Housing and Community Development (HCD) staff will contact the agency to arrange for monitoring. Notification will be made one week prior to the scheduled monitoring. This notification will list initial records to be reviewed. These records should be ready for review by the time of the monitor's arrival and available at the workspace set up for the monitor.

Entrance Conference

The HCD Monitor(s) will meet with the agency director and appropriate staff to answer any questions regarding the monitoring process.

Records selected for monitoring will be reviewed and record-keeping methods discussed with staff that maintain them. Copies of certain documents and records may be made for purposes of preparing the report. Records which will be reviewed by the monitor include but are not limited to:

- Units of service reports sent to HCD for the period under review
- Daily logs, time sheets, or other documents used to derive the number of units or beneficiaries reported.

- Any back up documents to support the tally number, such as manual worksheets.
- A list of client records will be reviewed; these client records should include eligibility documentation and records of services provided.
- The agency's liability insurance policy (with the pages marked), in compliance with the required limits of liability specified in the contract/agreement/agreement, the City listed as an additional insured, and a 30-day prior notice of insurance coverage cancellation.

Monitoring

<u>Records Review</u>

Subrecipients are required to submit reimbursement requests and reports as described in the contract/agreement. Agencies will be required to submit a quarterly reimbursement request that will also include:

- Number of Individuals/Households served (units)
- Race/Ethnicity Report
- Client Income Level
- Familial Status
- Employee Monthly Timesheet (if applicable)

<u>Programmatic Review</u>

The monitor will check the Agency's records against HCD records regarding the report for the following:

- Determine if amounts in Agency records reported match amounts noted in HCD records.
- Determine if the report is presented in a timely manner (by the date specified in the contract/agreement).
- Determine if the report is completed in a satisfactory manner.
- Determine if the quantity of units provided is comparable to the amount of allocation expended.
- Determine if the agency is significantly behind in the provision of units.

The monitor will review the documents used by the Agency to derive the number of units reported to HCD.

- Check system of tallies to make certain it is sound and workable.
- Determine the method used to distinguish HCD clients from clients not billed to the HCD contract/agreement. Determine if this method is usable and satisfactory.
- Determine whether the number of units reported in sample months matches the number in the backup documents.
- Determine if units are in keeping with the contract/agreement definition.

- If units are differentiated between types, determine that only units of the types listed in the contract/agreement are billed for HCD clients.
- Develop a list of client files to be reviewed from the sample months, listing client number, client name, date of service, number of units served and type of service.
- Present list to staff and allow a reasonable length of time for client files to be pulled for review.

The monitor will review client files for:

- Documentation of eligibility (as per the attached HCD Eligibility Documentation Guidelines) that is dated within 12 months of the sample service date.
- Documentation of residence within the city limits.
- Documentation of income equal to or lower than 80% of the median income for the City of Medford or if applicable documentation of presumed benefit clientele status on the form provided in the contract/agreement.
- Documentation of the provision of services which meet the terms of the contract/agreement:
    - Determine if date of service and type of service provided which was taken from the tally log is also recorded in the client file and appears to be reasonable.
    - Review complete file for each selected client determining whether services being provided are in accordance with the contract/agreement, whether client is in contract/agreement's target population and whether there is information in the client's file which conflicts with the documentation.
    - Where applicable, determine if client notes are dated, reflect the units provided, are signed by the caseworker, complete and informative as to the client's progress

Throughout the course of an on-site visit, the monitor will observe interactions between staff and clients and the condition of the facility.

The monitor will observe whether the Equal Employment Opportunity placard has been posted as required by law:

- Observe whether official placard has been posted
- Determine if it is available for viewing by employees
- Determine if it is available for viewing by applicants for employment.

<u>Financial Review</u>

Property and Equipment (if applicable) – The monitor will:

- Verify invoices and payments.
- Verify purchase of equipment is in agreement with general ledger account and financial reports.
- Ensure that purchased equipment is allowable.
- Verify calculation of depreciation (if applicable).
- Make physical inspection of equipment (if applicable).

Other Operating Expenses – The monitor will:

- Examine invoices and related canceled checks.
- Review invoices for approvals and account distribution.
- Determine if the costs are allowable.
- Verify agency's line-item costs to amounts requested for reimbursement.
- Verify that amounts requested for reimbursement agree with posting to general ledger.

Revenue – The Monitor will:

- Prove footings of cash journals and trace posting to general ledger accounts.
- Verify bank activity with cash receipts journal.
- Verify check payable to cash or to bearer.
- Compare cash receipts month end journal totals posted to general ledger account.
- Verify amounts disbursed by City to reconcile with funds received by the agency.

Overall Accounting Review – The monitor will:

- Review the process used to record the various transactions and determine if it is effective.
- Review the actual transactions and their supporting documentation, determining eligible reimbursement expenses. In order for an expenditure to be considered eligible for reimbursement, the following requirements must be met:
    - An expenditure must be for the current funding period.
    - Be a line item on the proposed budget
    - Have available funds for that line item
    - Be an expenditure related to HCD activity
- Review the overall agency performance to determine if it is within compliance according to the contract/agreement terms and conditions.
- Conduct an analysis to determine if the prior year's monitoring findings have been corrected and are not being repeated.

Exit Conference

At the end of the desk review or on-site visit, the City will meet again with the key agency representatives to present preliminary results, provide an opportunity for the agency to correct misconceptions and report any corrective actions already in the works.

Follow Up

Within 30 days after the completion of the monitoring visit or desk review, a written report of the results of the monitoring visit will be forwarded to the subrecipient. If the programmatic and fiscal monitoring were performed concurrently, the reports for both will be combined under a single cover letter. The monitoring report contains:

- A detailed list of the areas reviewed.
- A detailed list of findings, if any. A recommendation will accompany each finding explaining how the deficiency can be corrected.
- A detailed list of concerns, if any. Depending on the nature of the concern, a recommendation may be included on how to eliminate the concern.
- Observations, if any, made regarding the agency's operation.
- If findings are severe, the letter accompanying the report may place a hold on further reimbursements to the Subrecipient until the findings are cleared.

<u>Subrecipient Response</u>
Within 30 days after receipt of the monitoring report, the Subrecipient must submit a written response to the monitoring report. The response should include:

- A response to each individual finding and concern, if applicable.
- Copies of any documentation to back up the response to the findings (copies of corrected employee monthly time reports, etc.).

<u>Response to Subrecipient</u>
Upon receipt of the subrecipient's response to the monitoring report, the programmatic and fiscal monitors will review the response to determine if the findings have been satisfied. A written response to the subrecipient's response will be sent to the Agency after reviewing responses.

Those findings that have been satisfied will be noted as closed. If all findings are closed, the subrecipient's monitoring for the year under review is complete.

Findings that are not satisfied will remain open and will require further response or action on the subrecipients part. The subrecipient will be given adequate time to take any further action needed to correct the findings and respond in writing.

If these actions are satisfactory, the findings are noted as closed and the monitoring is considered to be complete.

If these actions are not satisfactory, further correspondence is required until such time as all findings are closed and the monitoring is concluded. The close of the contract/agreement does not necessarily close the monitoring. Correspondence will continue until all findings are closed.

Any agency that has unresolved compliance issues will not be eligible to seek additional CDBG funding. Agencies who resolve their compliance issues and demonstrate an ability to meet all the federal, state and local program requirements will be eligible to seek additional CDBG funding after three (3) years.

PROPER DOCUMENTATION

Documents to be retained for monitoring include but are not limited to:

- Current Board of Directors
- Percent of clients served in Medford compared to other jurisdictions
- Written records of employee qualifications, training, and evaluations
- List of personnel, with titles, who charge time to CDBG grants
- Financial policy/manual
- Code of Conduct (Ethics) for employees and governing board
- Conflict of Interest policy
- Nondiscrimination policy
- Procurement policy
- Records Retention policy
- Master Administration file
    - Contract/agreement
    - Notice to Proceed
    - Environmental Review
    - Voucher reimbursement(s)
        - Payroll supporting documentation, paystubs, time sheets, receipts, cleared checks, etc.
    - Reporting
        - Narrative
        - Grantee Performance Report
        - Specific Indicator (if applicable)
- Client files
- Copy of most recent Audit Report
- For Capital Improvement Projects:
    - Certified Payroll
    - Promissory Note
    - Deed of Trust
    - Restrictive Covenant
    - Bid advertisement with HUD provisions
    - Bids
    - Construction contracts

HELPFUL HINTS FOR A STRESS-FREE MONITORING VISIT

Look through the required documents and checklist prior to the day of the monitoring visit – self check yourself, if there are any documents missing or questions that cannot be answered, communicate with your staff members to determine how to remedy the issue before the monitoring visit.

Create one central location for all CDBG related documents based on program year, stay organized and keep original documents in a safe space. **Confidentiality is key!** Keep intake forms and participant records in a locked file cabinet or office which locks and is only accessed by key staff.

Keep your employee manual and CDBG policies and procedures current. Both of these documents should be a work in progress with additions and subtractions being made regularly. If you are having trouble developing a CDBG handbook, reach out to some of the other funded agencies in your area and share ideas with each other.

Don't be afraid to raise a potential problem during the monitoring visit. The largest misconception is that we are monitoring because we want to catch a mistake or take your money back – this is absolutely not the case! We are here to help and to solve problems.

Think about how both of us can improve as a team in future funding cycles. Communicate possible changes that will help your staff run the program successfully.

CONTACT US

If you have questions or concerns, contact the Housing and Community Development Division.

Email: hcd@cityofmedford.org

Phone: (541) 774-2380

APPENDICES

THIS PAGE INTENTIONALLY LEFT BLANK

Housing & Community Development Documentation Guidelines

To document the eligibility of each client to receive services under your Housing and Community Development (HCD) contract/agreement, an application must be completed by each client. If the client is under the age of 18, the form should be completed by the client's parent or legal guardian.

In addition to the application, actual verification on the household income must also be provided. This can include current check stubs, income tax returns, social security print outs, child support documentation, TANF documents.

The application and supporting forms must be filled out completely and truthfully. Rather than leaving any space blank it is preferable that "none" or NA (not applicable) be noted. The client should be made to understand that they are signing a legal document, and that they are certifying the truth of the information in the whole document.

Your staff is responsible for reviewing the information to determine the client's eligibility to obtain services under the CDBG contract/agreement. You must determine the following information depending on the type of contract/agreement your agency has:

- Standard Public Services
  - You must determine if the client resides within the City Limits.
  - You must determine whether the client meets income guidelines, as delineated in your contract/agreement attachment "HUD Income Guidelines".
- Limited Clientele: Presumed Benefit
  - You must determine if the client meets the specific population characteristic under the presumed benefit eligibility terms of your contract/agreement.
  - You must determine if the client resides within the City Limits.
- Limited Clientele: Nature and Location
  - Forms must be completed for each client served reflecting the client's address.

Review of the client certification forms for eligibility and determining which clients may be served under your HCD contract/agreement should be assigned to staff who have been trained in the specific requirements of your contract/agreement.

Certification forms must be on file for each client served and must be updated every 12 months. If your agency serves more than one client in a household, a single certification form may be completed for the household, but all household members must be clearly identifiable on the form.

If you encounter a unique situation wherein a client appears eligible for services, but it is not possible to obtain a certification, please contact Housing and Community Development. It may be possible to work out a method of documenting special cases if necessary.

Subrecipient Monitoring Checklist

MEDFORD
OREGON

SUBRECIPIENT MONITORING CHECKLIST

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)

AGENCY INFORMATION			
Contact Person:		**Phone:**	
Agency:		**Contract #:**	
Address of Site Visit:		**Contract Amount:**	
		Funds drawn:	
Program Name:			
Project #:		**Program Year:**	
Contract Monitor:		**Date of Visit:**	

NATIONAL OBJECTIVE & ELIGIBILITY	
1	Which National Objective does this project meet? (24 CFR 570.208) Benefit to Low- and Moderate-Income Persons ☐ Low/Mod Area Benefit ☐ Limited Clientele Benefit ☐ Low/Mod Housing Benefit ☐ Job Creation or Retention Aid in the Prevention or Elimination of Slums or Blight ☐ On an Area Basis ☐ On a Spot Basis An Urgent Need ☐ Needs having a Particular Urgency
2	Which eligibility category does the project meet? (24 CFR 570.201-6)

	PROGRAM	YES	NO	N/A
1	Are current program operations consistent with that described in the funding application and contract? How does the planned schedule and budget compare with the actual?	☐	☐	☐
2	Is the program on track to meet contract goals?	☐	☐	☐
3	Is the actual program work consistent with the CDBG eligiblity determination?	☐	☐	☐

Page 1

		YES	NO	N/A
4	Is the actual program work consistent with the CDBG national objective determination?	☐	☐	☐
5	If there are fees for services, are they reduced for low-and-moderate-income persons?	☐	☐	☐
6	Is the agency using the current HUD income limits? How is the income verified?	☐	☐	☐
7	Are services accessible to physically disabled persons?	☐	☐	☐
8	Is there a policies and procedures manual for the program?	☐	☐	☐
9	How does the program coordinate services with other providers? What type of services and with which providers?	☐	☐	☐
10	Was any non-expendable personal property acquired with these funds? Describe competitive procurement procedures used by the agency.	☐	☐	☐
ADMINISTRATION		**YES**	**NO**	**N/A**
1	Within the last year, have there been any changes in program administration or authorized billing signatures? Explain.	☐	☐	☐
2	Is the contract file orderly and complete?	☐	☐	☐
3	Are client files orderly and complete?	☐	☐	☐
4	Are client files appropriately secured and confidential?	☐	☐	☐
5	Is there a nondiscrimination policy regarding service delivery and employment which complies with all federal, state and local laws prohibiting discrimination on the basis of age, sex, marital status, race, religion, creed, color, national origin or the presence of any sensory, mental or physical handicap?	☐	☐	☐
6	Is there a policy of retaining records for 5 years after completion of work?	☐	☐	☐
7	Is there a policy or statement regarding conflicts of interest?	☐	☐	☐
8	Are there written records of employee qualifications, training, and evaluation?	☐	☐	☐
9	Do agency publications identify *City of Medford, CDBG* as the source of funding?	☐	☐	☐

Page 2

		YES	NO	N/A
10	Are the activities performed serving City of Medford residents? What percent of the total clients served are City of Medford residents? ______________ % What percentage of Medford residents served are low/mod income? ______________ %	☐	☐	☐
11	Has an independent annual audit been performed by a CPA? What was the date, and has a copy been delivered to the City of the most recent audit?	☐	☐	☐
12	Has the agency responded to any concerns identified in the most recent audit?	☐	☐	☐
13	Does the City have a current board of directors list, including length of term and city of residence?	☐	☐	☐
14	Does the agency have an adopted written procurement policy?	☐	☐	☐
	REPORTING REQUIREMENTS	**YES**	**NO**	**N/A**
1	Is the Grantee Performance Report submitted as required and completed correctly?	☐	☐	☐
2	Does the agency correctly report on the performance measurement criteria and understand the process?	☐	☐	☐
3	Are systems in place to ensure that costs reimbursed by the City were actually incurred in the implementation of the contracted project?	☐	☐	☐
4	Do Voucher Reimbursement Requests match source documents?	☐	☐	☐
5	Does the program generate program income? If so, how is it processed?	☐	☐	☐
6	Is program income properly returned to the City as required?	☐	☐	☐
7	Do agency files contain a notice to proceed, and the appropriate Environmental Review documentation?	☐	☐	☐
8	Other:			
	Davis-Bacon Wage Rates	☐	☐	☐
	Relocation	☐	☐	☐
	Timeliness and response	☐	☐	☐
	Acquisition Requirements	☐	☐	☐

ADDITIONAL NOTES

PEOPLE INTERVIEWED		
Date	**Name**	**Responsibilities**

REFERENCES			
National Objective	24 CFR 570.208		
Eligibility	24 CFR 570.201-6		
Record-Keeping	24 CFR 570.506		
Financial Management	2 CFR Part 200		
Equipment & Real Property	2 CFR 200.313		
Equal Employment Opportunity	24 CFR 570.506	24 CFR 570.601	24 CFR 570.602
Section 3	CFR 570.506(g)(5)	24 CFR 570.607(a)	
Fair Housing Compliance	24 CFR 570.904	24 CFR 570.601(b)	
Women & Minority Business Enterprises	24 CFR 570.506(g)	2 CFR Part 200	
Program Income	2 CFR 200.307		

Page 4

SUBRECIPIENT MONITORING

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)

Document Checklist

#		Description	Comments
ORGANIZATION			
1	☐	Organizational Chart	
2	☐	Current Board of Directors - length of term, City of residence	
3	☐	Percent of clients served in Medford compared to other jurisdictions	
4	☐	Written records of employee qualifications, training, and evaluations	
5	☐	List of personnel, with titles, who charge time to CDBG grants	
POLICIES AND PROCEDURES			
5	☐	Financial policy/manual	
6	☐	Code of Conduct (Ethics) for employees and governing board	
7	☐	Conflict of Interest policy	
8	☐	Nondiscrimination policy	
9	☐	Procurement policy	
10	☐	Records Retention policy	
ADMINISTRATION			
11	☐	Master Administration File	
	☐	Contract/agreement	
	☐	Notice to Proceed	
	☐	Environmental Review	
	☐	Voucher Reimbursement(s) - Payroll supporting documentation, paystubs, time sheets, receipts, cleared checks, etc.	
	☐	Reporting - Narrative - Grantee Performance Report - Specific Indicator (if applicable)	
12	☐	Three (3) Client Files	
13	☐	Copy of most recent Audit Report	

ADDITIONAL DOCUMENTS FOR CAPITAL IMPROVEMENT PROJECTS			
14	☐	Certified Payroll	
15	☐	Promissory Note	
16	☐	Deed of Trust	
17	☐	Restrictive Covenant	
18	☐	Bid Advertisement with HUD Provisions (if procurement required)	
19	☐	Bids (if procurement required)	
20	☐	Construction Contract(s) (if procurement required)	

ADDITIONAL NOTES
A *finding* is defined as a program element that does not comply with a Federal statute or regulation; a *concern* is either a potential finding or program weakness that should be improved to avoid future problems.