AFFORDABLE HOUSING PROGRAM

Monitoring Procedures

Revised: November 2023
1. Introduction

As specified in 24 CFR 85.40, Spokane County (as an entitlement grantee) is responsible for monitoring the day-to-day operations of its subrecipients’ activities to ensure compliance with all applicable Federal requirements, individual project goals, and local Affordable Housing Program (AHP) requirements, which includes funding from the HOME Investment Partnership Program (HOME) and Spokane County’s Housing Trust Fund (HTF).

To accomplish this, the Spokane County Housing and Community Development Department (HCD) uses a variety of monitoring techniques to review subrecipient compliance. Through correspondence, and desk and on-site monitoring visits, HCD staff are able to review each subrecipient’s ability to meet AHP financial, production and management requirements to make necessary determinations or take necessary actions to ensure project success.

Although a minimum of one monitoring visit per funded activity is required each year, some activities may warrant additional visits where conditions exist that indicate an activity may be “high risk”. In an effort to address these potential problem areas, HCD has developed a risk assessment process to aid in determining the timing and frequency of monitoring visits required for individual activities. Projects, which are determined by this process to be “higher risk”, would then be monitored before, and likely more frequently than, “lower risk” projects.

Regardless of the frequency with which a project is monitored by staff, the purpose and intent of any monitoring visit is to identify any potential areas of noncompliance and assist the subrecipient in making the necessary changes to allow for successful completion of the activity.

2. Role of Spokane County Housing and Community Development Department (HCD)

In conjunction with the Housing and Community Development Advisory Committee (HCDAC) and the Board of County Commissioners (BoCC), HCD is responsible for planning and carrying out its HOME and HTF entitlements, by selecting subrecipient activities that meet local objectives and federal requirements which are needed to be eligible for AHP funding.

After funds are awarded for individual activities, HCD’s role is to ensure that subrecipients are carrying out their projects in accordance with all applicable laws and regulations, and meeting the goals outlined in their subrecipient agreements. In carrying out this responsibility, HCD helps subrecipients identify potential problems, identify the causes of those problems, and offers solutions in order to correct them.

Wherever possible, problems are corrected through discussions or negotiations with the subrecipient without the need for on-site monitoring visits. However, at least once per year, or as individual situations dictate, on-site monitoring and/or provision of technical assistance will be required.
3. **Role of the U.S. Department of Housing and Urban Development (HUD)**

Representatives from HUD may also conduct on-site monitoring visits to ensure that each grantee’s subrecipients are carrying out their activities in accordance with HUD and HOME requirements.

HUD must monitor their grantees annually in a similar manner as HCD monitors its subrecipients and may wish to visit Spokane County subrecipients in order to document and/or verify monitoring results, requested corrective actions, and project completion.

County staff will generally accompany HUD when conducting these visits, and subrecipients will be provided adequate notification of the time, date, and purpose of the visit.

4. **Definitions**

**Desk Monitoring** - The ongoing process of reviewing subrecipient performance without conducting a site visit, using all available data and information to make judgments about performance and determine necessary corrective action(s).

**On-Site Monitoring** - A visit to a subrecipient project site or place of business to evaluate performance, progress, and compliance with applicable laws and regulations.

**Compliance Area** - Project areas that may be monitored to measure performance (e.g., civil rights, fair housing, financial management, etc.).

**Concern** - Identified or potential problems that warrant preventative action to prevent noncompliance with applicable laws or regulations.

**Issue** - Problem areas that are not in compliance with applicable laws or regulations.

**Finding** - Evidence obtained by HCD or HUD during a monitoring or reporting activity which indicates significant noncompliance with project-specific requirements, laws or regulations.

**Recommended Action** - Advice provided to a subrecipient to aid in addressing a concern or improving processes to remain in compliance with applicable laws or regulations.

**Required Action** - The corrective response directed to a subrecipient, which is required to resolve a monitoring issue or finding. This is usually accompanied by a due date.

**Project/Activity** – The process of acquiring, rehabilitating, or constructing affordable housing, as well as operating said housing after all construction or improvement has been completed.
5. Monitoring Activities

A. Subrecipient Risk Assessment

Each year, the Housing & Community Development Department conducts an assessment of each funded activity to determine the degree to which an activity or subrecipient is at risk of noncompliance with their HOME or HTF contract, as well as assessing their history of compliance with federal and local laws and regulations.

The Subrecipient Risk Assessment is based on several determining factors as outlined below. Each activity is assigned a score or “risk factor” based on the results of the assessment. Activities with a higher score are presumed to be at higher risk of noncompliance with one or more laws, regulations, or performance requirements and will be monitored more closely or more frequently by HCD staff until compliance is assured.

Low Risk: Activities scoring from 0-5 points are considered to be “low risk” and need a minimum amount of monitoring. These activities will generally be reviewed once per year unless situations dictate otherwise. Monitoring of these activities will generally take place after higher risk activities have been adequately addressed.

Medium Risk: Activities scoring from 6-10 points are considered to be “medium risk” and will be monitored a minimum of once per year, preferably within the first three months of the program year. Based on the results of the initial monitoring visit, staff will determine the need for and frequency of additional visits. These activities will generally be monitored after high priority activities have been adequately addressed.

High Risk: Activities scoring 11 points and higher are considered to be “high risk” and will receive first priority for monitoring. High priority activities will generally be monitored within the first 1-2 months of the program year to head off potential noncompliance issues. High-risk subrecipients may also be required to submit additional documentation as needed with their monthly reports to allow for closer evaluation of the project through desk monitoring. Based on the results of the initial visit, HCD staff will determine the need for and frequency of additional on-site monitoring visits.
B. Desk Monitoring

Desk monitoring is an ongoing process of reviewing subrecipient performance using all available data and documentation in making assessments of subrecipient performance and compliance with HOME and HTF requirements. This process takes place internally at HCD and does not involve subrecipient participation beyond submission of requested information.

1. **Sources of Information**: The following are sources of information which may be used in making determinations during the desk monitoring process:
   - Requests for reimbursement and accompanying source documents.
   - Audit Reports.
   - Staff reports from prior monitoring visits.
   - Client/Citizen comments and complaints.
   - Information provided by other State, Federal, County, and local agencies.
   - Subrecipient responses to monitoring and/or audit findings.
   - Original grant application.
   - Subrecipient Agreement (as amended).
   - Monthly or quarterly progress reports.
   - Litigation.

2. **Use of Information**: The information provided to HCD will be used to observe patterns and changes in subrecipient activity to identify any potential current or future problems, as well as program status and accomplishments. Analysis of the data provided may indicate the need for on-site monitoring visits by HCD staff in order to resolve issues of potential noncompliance or project process concerns.

C. On-Site Monitoring

In addition to desk monitoring, HCD will conduct at least one on-site monitoring of each AHP activity per program year.

Activities considered to be “high risk” will receive on-site monitoring first, preferably within the first two months of the program year to head off any potential areas of noncompliance and provide the subrecipient with any technical assistance necessary to ensure compliance with AHP requirements.

Medium and low risk activities will receive on-site monitoring visits at the earliest possible date after all “high risk” activities have been monitored. Generally, this will occur in the third to fifth month of the program year. Medium risk activities will receive monitoring priority over “low risk” activities.

HCD will notify subrecipients by physical or electronic mail of the time and date for their scheduled on-site monitoring visit. Notification will be provided at least two weeks prior to
the scheduled visit and will include identification of the areas to be monitored, any
documentation to be made available, and key staff that may need to be present.

D. Monitoring Areas

During on-site monitoring, HCD may review some or all of the areas identified below. Other areas for
review may apply depending on the project type, subrecipient, etc. The extent of review in these areas
will vary from one activity to another.

- Project Progress
- Financial Management Systems
- Procurement Standards
- Cashflow Verification
- Individual Client Files
- Complaint Procedures
- Employee Records
- Minority and Women-Owned Business Compliance
- Civil Rights
- Section 504/Handicap Accessibility Requirements
- Record Keeping Systems
- Labor Compliance
- Contract Management
- Lobbying / Political Activity
- Professional Services
- State or Independent Audit Results
- Policies and Procedures

E. Monitoring Visit

When conducting an on-site monitoring visit, HCD will:

- Conduct an entrance interview with key staff involved in conducting the activity;
- Review all pertinent subrecipient files, including any third party contractor files, for necessary
documentation;
- Interview appropriate officials and employees of the subrecipient organization, third party
contractor staff, and interested citizens to discuss the subrecipient’s performance;
- Visit the project site(s) or a sampling of the projects being conducted;
- Discuss any discrepancies resulting from the review of files, interviews, and site visits;
- Conduct an exit interview with the appropriate official(s) and/or staff of the subrecipient
organization to discuss the findings of the monitoring visit.
F. Monitoring Results

An official letter reporting the results of the monitoring visit will be sent to the authorized agency official (Director, Mayor, CEO, etc.) within thirty days of the monitoring visit. A copy of this letter will also be provided to the chairperson of the agency’s governing board.

This letter will generally contain the following information:

- Project number and name of the activity monitored;
- Date(s) of monitoring visit;
- Name(s) of HCD staff who conducted monitoring visit;
- Scope of the monitoring visit;
- Names of agency officials and staff involved in the monitoring visit;
- Findings and results of the monitoring visit, both positive and negative, supported by facts considered in reaching the conclusions;
- Specific recommendations or corrective actions to be taken by the subrecipient;
- Time frame for completion of necessary action(s);
- If appropriate, an offer of technical assistance.

G. Corrective Actions

If concerns or findings identified during the monitoring visit require corrective action by the subrecipient, those actions must be completed within the time frame in the monitoring letter.

If the subrecipient fails to meet a target date for making required actions, a written request for response will be sent to the authorized agency official and board chairperson.

If a subrecipient has not sufficiently responded within 30 days from the date the corrective actions were to be made, further payments to the subrecipient will be withheld until the subrecipient submits the required responses and/or takes the required corrective actions and those responses or actions are determined to be acceptable. If responses or corrective actions are determined to be unacceptable, funds will continue to be withheld until satisfactory actions are taken.

H. Resolving Monitoring Findings

When reviews of all documentation of corrective actions taken by the subrecipient indicate that the identified concerns or findings have been corrected to the satisfaction of HCD staff, a physical or electronic letter will be mailed to the authorized official of the subrecipient and the chairperson of the governing board stating that the findings are resolved.