CDBG-DR

MONITORING MANUAL

This page was intentionally left blank.

PUERTO RICO DEPARTMENT OF HOUSING
CDBG-DR and CDBG-MIT PROGRAM
MONITORING MANUAL
VERSION CONTROL

VERSION NUMBER	DATE REVISED	DESCRIPTION OF REVISIONS
1	**April 13, 2018**	Original Version. Submitted by PRDOH as part of the Implementation Plan.
2	**August 8, 2019**	Restructure of introductory paragraphs; additions of checklists and risk matrix graphic; and update to Program Risk Assessment Table. Approved by PRDOH CDBG-DR Monitoring Director.
3	**March 06, 2020**	Restructure Risk Assessment Criteria and Scope of Work; additions of Capacity Assessment and 2nd Grand Agreement Special Conditions. Approved by PRDOH CDBG-DR Monitoring Director.
4	**December 1, 2021**	Expand regulation requirement references for monitoring activities, update Monitoring Division's organizational structure and positions descriptions, update capacity assessment policy, general organization of monitoring activities, update concepts of monitoring events, and include references for HUD's Special Conditions, among others.
5	**June 10, 2022**	Include an additional criterion in the risk assessment process to consider program implementation experience at the Programmatic and Finance Area.

Table of Contents

1 Overview

1.1 Requirements

The following regulations and grant agreement conditions require the Puerto Rico Department of Housing (**PRDOH**), as grantee, to monitor each program, function or activity funded by its Community Development Block Grant – Disaster Recovery (**CDBG-DR**) and Community Development Block Grant – Mitigation (**CDBG-MIT**) award(s). Monitoring of the programs occurs to ensure compliance with applicable Federal requirements and to determine if performance expectations are being achieved. This includes monitoring of CDBG-DR and CDBG-MIT funded activities carried out by subrecipients, contractors, and PRDOH directly.

- **2 C.F.R. § 200.329 - Monitoring and Reporting Program Performance.** Requires PRDOH to monitor each program, function or activity funded by its CDBG-DR and CDBG-MIT awards to ensure compliance with applicable Federal requirements and determine if performance expectations are being achieved.

- **2 C.F.R. § 200.332 – Requirements for Pass-through Entities.** Requires PRDOH to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward to determine the risk posed by the subrecipient. PRDOH must also 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.

- **24 C.F.R. § 570.492 – State's Review's and Audits.** Requires PRDOH to make reviews of units of general local government to meet the requirements of section 104(e)(2) of Title I of the Housing and Community Development Act of 1974 (**HCDA**). Also requires PRDOH, in the case of noncompliance, to take such actions as may be appropriate to prevent a continuance of the deficiency, mitigate any adverse effects or consequences and prevent a recurrence, and to establish remedies for subrecipient's noncompliance.

- **Federal Register Vol. 83, No. 28 (February 9, 2018), 83 FR 5844, VI A 1 a (6) - Requires** PRDOH to prepare and submit adequate procedures to detect and prevent fraud, waste, and abuse that: Indicate how PRDOH will verify the accuracy of information provided by applicants; and provide a monitoring policy indicating how and why monitoring is conducted, the frequency of monitoring and which items are monitored.

- **Grant Agreement.** Requires PRDOH to develop a monitoring plan for overseeing the performance of subrecipients, including: an evaluation on the subrecipient's risk of non-compliance with rules and regulations; and a plan to monitor

subrecipient activities to ensure subawards are used in compliance with rules and regulations and performance goals are achieved.

1.2 Purpose

PRDOH, as grantee, is committed to the administration of its awards in compliance with all applicable laws and regulations and in a financially accountable manner for the efficient use of all funds provided by Congress. During the CDBG-DR and CDBG-MIT grants, PRDOH will continually monitor each subrecipients' use of funds to determine adherence to, and consistency with, the corresponding Action Plan, as well as meeting the performance and timeliness objectives contain in the Action Plan and in PRDOH's policies and procedures. A material failure to comply with the PRDOH's Action Plan, as approved by HUD, its policies, guides or procedures, will prompt PRDOH to exercise any of the corrective or remedial actions authorized in the CDBG regulations. Including corrective and remedial actions in 2 C.F.R. §§ 200.339 through 343, or under subpart C, D or F of the CDBG regulations at 2 C.F.R. part 200.[1]

Monitoring is the principal means by which PRDOH, as grantee of the CDBG-DR and CDBG-MIT funds, ensures that programs and technical areas are carried out efficiently, effectively, and in compliance with applicable laws and regulations. Monitoring aims to assist CDBG-DR and CDBG-MIT funded programs with improving performance, increasing capacity, and avoiding or remedying instances of non-compliance. Monitoring also provides a means to offer technical assistance for existing, or upcoming changes to, requirements and regulations.

Monitoring is not limited to a one-time event but is rather an ongoing process that assesses the quality of CDBG-DR and CDBG-MIT funded program performance over the life of the contract or subrecipient agreement and involves continuous communication and evaluation. Monitoring aims to:

- Gauge the effectiveness and progress of monitored entities in meeting the program objectives, goals, and requirements set forth in written agreements;

- Act as a tool to assist management in identifying issues that may compromise program integrity, funding, and service delivery for remediation;

- Act as a tool to identify opportunities to strengthen program capacity and quality of service delivery; and

- Ensure that programs are operating efficiently and effectively, and that CDBG-DR and CDBG-MIT funds are used appropriately.

---

[1] PRDOH may adjust requirements when a risk-evaluation indicates that it may be merited either pre-award or post-award. 2 C.F.R. § 200.206(c).

This Monitoring Manual and accompanying Monitoring Standard Operating Procedures (**SOPs**) allow the PRDOH CDBG-DR and CDBG-MIT Monitoring Division to carryout monitoring activities uniformly, effectively, and compliantly. This Monitoring Manual may be updated, as needed, based on program design and changes to federal and local policies and requirements over the life of the grants.

1.3   Related Forms and Documents

Forms and documents related to this Monitoring Manual including forms, templates, monitoring checklists, and SOPs can be found in the PRDOH Monitoring Division ShareFile folder:

> **> 02. Monitoring File > 01. Administrative > 01. Monitoring Manual**
> **02. Monitoring SOPs**
> **03. Organizational Chart**
> **04. Annual Workplan**
> **05. Checklist Draft**

1.4   PRDOH CDBG-DR Monitoring Division Structure

The PRDOH CDBG-DR and CDBG-MIT Monitoring Division reports directly to the PRDOH CDBG-DR and CDBG-MIT Director of Disaster Recovery. This reporting structure is intended to foster independence in the performance of monitoring engagements and the reporting of monitoring results. The following Organizational Chart and accompanying job descriptions show how the PRDOH CDBG-DR and CDBG-MIT Monitoring Division is organized.
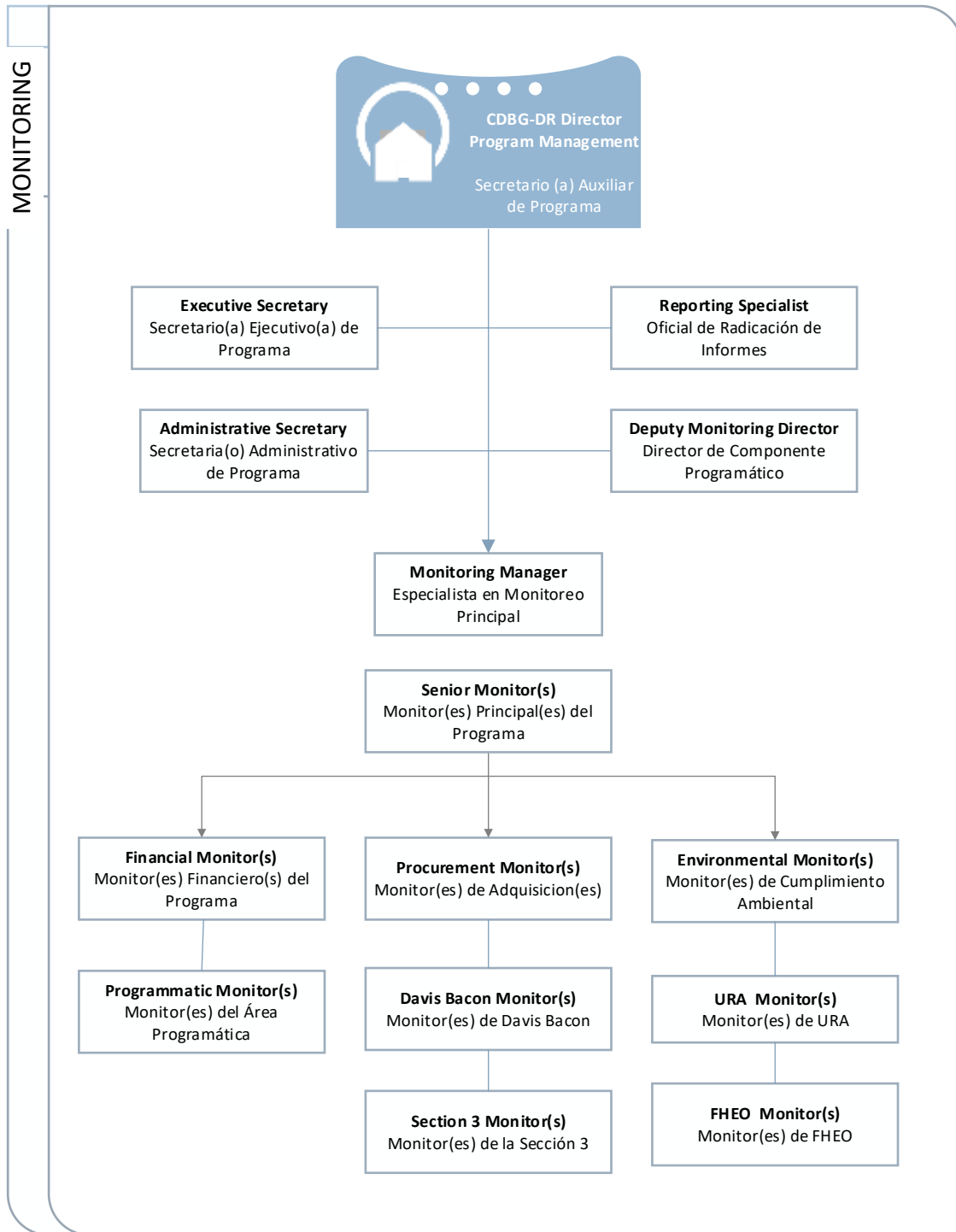
MONITORING

CDBG-DR Director
Program Management
Secretario (a) Auxiliar
de Programa

Executive Secretary
Secretario(a) Ejecutivo(a) de
Programa

Reporting Specialist
Oficial de Radicación de
Informes

Administrative Secretary
Secretaria(o) Administrativo
de Programa

Deputy Monitoring Director
Director de Componente
Programático

Monitoring Manager
Especialista en Monitoreo
Principal

Senior Monitor(s)
Monitor(es) Principal(es) del
Programa

Financial Monitor(s)
Monitor(es) Financiero(s) del
Programa

Procurement Monitor(s)
Monitor(es) de Adquisicion(es)

Environmental Monitor(s)
Monitor(es) de Cumplimiento
Ambiental

Programmatic Monitor(s)
Monitor(es) del Área
Programática

Davis Bacon Monitor(s)
Monitor(es) de Davis Bacon

URA Monitor(s)
Monitor(es) de URA

Section 3 Monitor(s)
Monitor(es) de la Sección 3

FHEO Monitor(s)
Monitor(es) de FHEO

Figure 1: PRDOH CDBG-DR/MIT Monitoring Division Organizational Chart

The **PRDOH CDBG-DR and CDBG-MIT Monitoring Director** provides strategic direction, tactical management, emergency planning, and disaster recovery strategies. This staff member is responsible for providing analytical services in developing, analyzing,

evaluating, advising on, or improving the effectiveness of work methods and procedures, organizations, staff utilization, distribution of work assignments, management control information, and documentation systems.

The **PRDOH CDBG-DR and CDBG-MIT Monitoring Deputy Director** serves as a partner to the PRDOH CDBG-DR and CDBG-MIT Monitoring Director and oversees the PRDOH CDBG-DR and CDBG-MIT Monitoring Division and its strategy. The PRDOH CDBG-DR and CDBG-MIT Monitoring Deputy Director will also initially develop deep knowledge of field, core programs, operations, and Monitoring SOPs, and assists the PRDOH CDBG-DR and CDBG-MIT Monitoring Director in their responsibilities. In the absence of the PRDOH CDBG-DR and CDBG-MIT Monitoring Director, the PRDOH CDBG-DR and CDBG-MIT Monitoring Deputy Director covers the Director's role.

The **PRDOH CDBG-DR and CDBG-MIT Monitoring Division Executive Secretary** provides administrative support and performs numerous duties, including developing the executive agenda, writing correspondence, emailing, logistical support for visitors, routing callers, and answering questions and requests.

The **PRDOH CDBG-DR and CDBG-MIT Monitoring Division Administrative Secretary** keeps a constant pulse on the PRDOH CDBG-DR and CDBG-MIT Monitoring Division staff operations and provides strategic support to other staff members with various work functions, when needed.

The **PRDOH CDBG-DR and CDBG-MIT Monitoring Managers** will provide specialized assistance to the PRDOH CDBG-DR and CDBG-MIT Monitoring Deputy Director to supervise implementation of the monitoring strategies and plan to monitor subrecipients (municipalities, government agencies, and non-governmental organizations), contractors, and specific requirements in regulation, such as procurement, environmental reviews, fair housing, and other cross-cutting sections. The PRDOH CDBG-DR and CDBG-MIT Monitoring Manager will be responsible for the final review and submission of drafted reports for approval of the PRDOH CDBG-DR and CDBG-MIT Monitoring Deputy Director, and ensure PRDOH CDBG-DR and CDBG-MIT Monitoring Division Reporting Specialist keeps appropriate records.

The **PRDOH CDBG-DR and CDBG-MIT Monitoring Division Reporting Specialists** provide support to the PRDOH CDBG-DR and CDBG-MIT Monitoring Division by providing business intelligence, data and information management, and support to programs and program subrecipients.

The **PRDOH CDBG-DR and CDBG-MIT Monitoring Senior Monitors** will actively participate in and supervise the implementation of monitoring activities by serving as the lead monitor. Senior Monitors will also provide guidance and support to PRDOH CDBG-DR and CDBG-MIT Monitors in specialized areas. Additionally, Senior Monitors will provide technical assistance to monitored entities and assist in the final draft of the monitoring reports. Lastly, Senior Monitors will guide the process of entrance and exit conferences during on-site monitoring events.

The **PRDOH CDBG-DR and CDBG-MIT Monitoring Division Monitors** assist the PRDOH CDBG-DR and CDBG-MIT Monitoring Senior Monitors in ensuring that PRDOH CDBG-DR and CDBG-MIT programs comply with the organization's policies and procedures and all applicable state and federal regulations, including but not limited to U.S. Department of Housing and Urban Development (**HUD**) regulations relating to CDBG-DR and CDBG-MIT funds. These Monitors will complete reviews in areas such as financial management, procurement, Uniform Relocation Assistance (**URA**), Section 3, Environmental, Fair Housing, Davis-Bacon, and Related Acts (**DBRA**), and all other applicable regulatory and programmatic requirements.

1.5 Definitions

- **Capacity Assessment –** Capacity assessments are conducted by PRDOH to evaluate a subrecipient's capacity to compliantly implement CDBG-DR and CDBG-MIT activities prior to executing a Subrecipient Agreement (**SRA**).

- **CDBG-DR –** Community Development Block Grant – Disaster Recovery.

- **CDBG-MIT –** Community Development Block Grant – Mitigation.

- **Clearance Letter –** A letter sent to the monitoring entity indicating findings and concerns for a particular monitoring event are resolved.

- **Closeout Monitoring Event –** A review conducted of CDBG-DR and CDBG-MIT funded activities to ensure files are accurate and complete and all findings are resolved prior to close-out of the activity.

- **Contractor –** An entity procured to provide clearly identified goods or services to PRDOH in the implementation of various PRDOH CDBG-DR and CDBG-MIT programs.

- **Desk Monitoring Event –** Monitoring event that occurs remotely and is permissible for low- and medium-risk grantees.

- **DRGR –** HUD's web-based Disaster Recovery Grant Reporting system.

- **Entrance Conference –** A meeting held at the beginning of a monitoring event to discuss the scope, intent, process, and logistics for a monitoring event.

- **Exit Conference –** A meeting held at the end of a monitoring event to review the results of the monitoring review and next steps.

- **Financial Capacity Monitoring Event –** A monitoring event held once PRDOH completes a drawdown, in DRGR for the first time for, a contractor or subrecipient. To ensures the monitored entity has sufficient financial processes in place, are adequately staffed and trained, and are maintaining appropriate source documentation.

- **Grantee –** An entity that has a binding agreement in place with HUD to administer the CDBG-DR and CDBG-MIT grants. For purposes of this document, the Grantee is PRDOH.

- **HUD –** The United States Department of Housing and Urban Development.

- **Management Plan –** A plan developed by the PRDOH CDBG-DR and CDBG-MIT Monitoring Division, programmatic area, and/or monitored entity to map out a strategy for resolving all open findings and concerns.

- **Monitored Entity –** An entity (PRDOH, subrecipient or contractor) subject to a monitoring event.

- **Monitoring Concern –** A deficiency in program performance which should be brought to the attention of the monitored entity and pertinent PRDOH staff, and if not properly addressed, may become a Finding.

- **Monitoring Checklists –** A series of checklists based on the HUD Community Planning and Development (CPD) Monitoring Handbook (6509.2 Rev-6) used by PRDOH CDBG-DR Monitoring Division Monitors during the monitoring event to assist with review of compliance with requirements.[2]

- **Monitoring Event –** An event conducted by the PRDOH CDBG-DR and CDBG-MIT Monitoring Division to review monitored entities, programmatic areas and/or the PRDOH CDBG-DR and CDBG-MIT Finance Division's compliance with applicable regulations and requirements.

- **Monitoring Event Tracker –** A spreadsheet used by the PRDOH CDBG-DR and CDBG-MIT Monitoring Division to track monitoring event steps, timeliness, and resolution of findings and concerns, as well as to report monitoring events statistical data.

- **Monitoring Event Type –** On-site, remote, desk, financial capacity, and closeout reviews.

- **Monitoring Finding –** A violation of a statutory, regulatory or program requirement for which sanctions or other required corrective actions are authorized.

- **Monitoring Manual –** Refers to a document that outlines the policy of the PRDOH CDBG-DR and CDBG-MIT Monitoring Division with respect to monitoring activities.

- **Monitoring Observation –** A comment about an area or topic where the monitored entity and/or PRDOH can improve program performance or recognize exceptional success and best practices.

- **Monitoring Report –** A report issued to a monitored entity (if a subrecipient), programmatic area and/or PRDOH Finance Division detailing the results of a monitoring event.

---

[2] https://www.hud.gov/offices/adm/hudclips/handbooks/cpdh/6509.2/index.cfm

- **Monitoring Report Type –** Monitoring Reports can be issued to the monitored entity, the programmatic area, or the PRDOH CDBG-DR and CDBG-MIT Finance Division.

- **Monitoring Strategy –** Internal document that defines the scope and focus of each monitoring event.

- **Non-Compliance Letter –** A letter issued to the monitored entity for failure to respond to a monitoring report in a timely manner.

- **Notification Letter –** A letter sent to the monitored entity to inform them of an upcoming monitoring event.

- **On-site Monitoring Event –** A monitoring event that occurs at the location of the monitored entity for all high-risk and select medium-risk grantees.

- **Remote Monitoring Event –** A monitoring event that includes the full scope of an On-site Monitoring Event but must be conducted remotely due to extenuating circumstances that prevent the event from being conducted on-site (e.g., COVID-19).

- **PRDOH –** The Puerto Rico Department of Housing (Grantee).

- **PRDOH CDBG-DR and CDBG-MIT Finance Division –** The PRDOH division responsible for adhering to federal and local accounting regulations and requirements.

- **PRDOH CDBG-DR and CDBG-MIT Monitoring Division –** The PRDOH CDBG-DR and CDBG-MIT division responsible for executing the tasks outlined in this manual.

- **Programmatic Area –** The PRDOH CDBG-DR and CDBG-MIT area, office, or division responsible for direct oversight of subrecipients and contractors.

- **Risk Assessment –** The process for identifying the risk for fraud, waste, abuse, and non-compliance of each entity carrying out CDBG-DR and CDBG-MIT funded activities.

- **Subrecipient –** An entity, usually but not limited to non-federal entities, that receives a CDBG-DR and/or CDBG-MIT subaward from PRDOH to carry out specific eligible activities. Does not include an individual that is a beneficiary of a subaward. A subrecipient may also be a recipient of other federal awards directly form a federal awarding agency.

- **Written Agreement –** An agreement (e.g., contract or subrecipient agreement) that obligates the parties to expend or distribute CDBG-DR and CDBG-MIT funds and undertake responsibilities as set forth in the agreement.

2 Summary of Monitoring Activities

The PRDOH CDBG-DR and CDBG-MIT Monitoring Division performs the following monitoring activities:

- **Section 3: Capacity Assessments.** Capacity assessments are performed of potential subrecipients prior to entering a Subrecipient Agreement with PRDOH.

The purpose of a capacity assessment is to evaluate a subrecipient's capacity to implement CDBG-DR and CDBG-MIT activities in compliance with program requirements and applicable rules and regulations.

- **Section 4: Technical Assistance**. The provision of technical assistance is primarily the responsibility of the CDBG-DR and CDBG-MIT programmatic areas. However, the PRDOH CDBG-DR and CDBG-MIT Monitoring Division provides additional technical assistance during monitoring activities (e.g., during capacity assessments or monitoring events).

- **Section 5: Risk Assessments.** Risk assessments are performed twice per year and aid the PRDOH CDBG-DR and CDBG-MIT Monitoring Division in prioritizing entities to monitor based on its risk of non-compliance.

- **Section 6-10: Monitoring Events**. Monitoring events allow the PRDOH CDBG-DR and CDBG-MIT Monitoring Division to evaluate monitored entities for compliance with program requirements. Monitoring events can be conducted onsite or remotely.

- **Section 11: Reporting and Record Keeping**. The PRDOH CDBG-DR and CDBG-MIT Monitoring Division maintains records of all monitoring activities, and reports to HUD via the Disaster Recovery Grant Reporting (DRGR) system.

3   Capacity Assessments

The PRDOH CDBG-DR and CDBG-MIT Monitoring Division performs capacity assessments in compliance with the uniform administrative requirements in 2 C.F.R. Part 200, and exceptions set forth in 24 C.F.R. § 570.502.[3] Uniform administrative requirements in 2 C.F.R. § 200.208 and 2 C.F.R. § 200.206(b) allow PRDOH to impose subrecipient grant conditions as needed, based on PRDOH's framework for evaluating risks posed by subrecipients, and on HUD's guidance on assessing capacity of Implementing Partners before signing a subrecipient agreement. This risk evaluation includes assessing the subrecipient's grant management history, program and activity experience, staffing capacity, staff experience, financial processes, and knowledge of relevant rules and regulations.

Capacity assessments are useful tools in identifying ways to improve capability, efficiency, and effectiveness of disaster recovery operations prior to awarding CDBG-DR and CDBG-MIT funds. In part, by evaluating a subrecipient's past and current experience complying with rules and regulations applicable to potential CDBG-DR and CDBG-MIT funded activities.[4] The results of a capacity assessment is used to provide recommendations to a programmatic area to proactively identify and remedy risk of non-compliance prior to awarding CDBG-DR and CDBG-MIT funds. Potential mitigating actions may include, but are not limited to:

---

[3] See, 24 C.F.R. § 570.610.
[4] 2 C.F.R. § 200.206(b).

- provision of technical assistance and/or training;

- inclusion of Risk-based requirements adjustment in the subrecipient agreement (i.e., special conditions that correspond to the degree of risk assessed may be applied);[5] and/or

- enhanced monitoring.

Upon written request of a PRDOH CDBG-DR and CDBG-MIT programmatic area, the PRDOH CDBG-DR and CDBG-MIT Monitoring Division will evaluate all program records. and will determine whether a need to conduct a capacity assessment exists based on the criteria indicated below. If needed; it will conduct a capacity assessment of all potential subrecipients for that programmatic area.

Table A: Capacity Assessment Criteria

Comprehensive Capacity Assessments are not required under the following circumstances:	Capacity Assessments must be performed under the following circumstances:

• The potential subrecipient does not meet the criteria requiring a capacity assessment; or
• A Notice of Funding Availability (NOFA) or similar instrument includes a capacity evaluation as part of the application process and awarding conditions performed by the programmatic area; or
• The CDBG-DR and CDBG-MIT Director makes a written determination that the risk is low enough that a capacity assessment is not necessary.
	• If PRDOH has never performed a capacity assessment for the potential subrecipient for the proposed scope of work of the CDBG-DR and CDBG-MIT funded program; or
	• If PRDOH has performed a capacity assessment for the potential subrecipient, but:
	  o The capacity assessment was for a different scope of work and the previous capacity assessment did not cover the new elements of the new scope of work; or
	  o The capacity assessment was for the same or a similar scope of work, and the new scope of work is significantly more complex or is for a significantly higher dollar amount; or
	  o The capacity assessment was for the same or a similar scope of work, and more than one year has passed since the last capacity assessment was performed, requiring an update to relevant sections of the previous capacity assessment; or
	  o The annual risk assessment, monitoring process, or other sources have revealed areas of concern.

---

[5] 2 C.F.R. § 200.206(c).

4 Technical Assistance

The provision of technical assistance is primarily the responsibility of the CDBG-DR and CDBG-MIT programmatic areas. However, the PRDOH CDBG-DR and CDBG-MIT Monitoring Division will provide additional technical assistance during monitoring events if a need is observed. When deficiencies are identified during a monitoring event, technical assistance may be required to assist in the resolution of a deficiency. Examples of technical assistance may include:

- verbal or written advice;
- formal training; and/or
- documentation and guidance.

5 Risk Assessment and Monitoring Plan

5.1 Annual Risk Assessment

Consistent with HUD requirements detailed in the CPD Monitoring Handbook (6509.2 Rev-6) and CPD Notice 14-04, the PRDOH CDBG-DR and CDBG-MIT Monitoring Division will conduct a risk analysis on all entities implementing CDBG-DR and CDBG-MIT funded activities, including contractors, subrecipients, and PRDOH (in instances where PRDOH is implementing the CDBG-DR and CDBG-MIT activity directly). The risk analysis provides a mean by which the PRDOH CDBG-DR and CDBG-MIT Monitoring Division can identify the risk of fraud, waste, abuse, and non-compliance for each entity implementing CDBG-DR and CDBG-MIT funded activities. Table B below shows the risk assessment criteria.

Table B: Risk Assessment Criteria

Criteria	Description	High Risk	Medium Risk	Low Risk
Policies and Procedures (P&P) / Internal Controls	P&Ps, processes, and systems to ensure compliance with requirements.	**6-8 points**	**3-5 points**	**0-2 points**
		P&Ps are missing or contain several weak controls or omissions	P&Ps contain some weak controls or omissions	P&Ps contain few or no weak controls or omissions
Funding	Total amount of funds budgeted.	**6-8 points**	**3-5 points**	**0-2 points**
		> $50 million	$10 million - $50 million	< $10 million
Speed of Program	Total amount of funds spent.	**6-8 points**	**3-5 points**	**0-2 points**
		0% - 25%	25% - 75%	75% - 100%
Program Complexity	Complexity based on eligible activity type	**6-8 points**	**3-5 points**	**0-2 points**
		Infrastructure, Facilities, New Construction	Housing Rehab, Buyouts, Homebuyer, Econ Development	Planning, Administration, Public Services
Responsible Organization	Type of Monitored Entity	**6-8 points**	**3-5 points**	**0-2 points**
		Subrecipient	Contractor	PRDOH
Capacity	Staffing levels and knowledge	**6-8 points**	**3-5 points**	**0-2 points**
		Several key personnel are missing, or lack training and knowledge; moderate to high turnover	Some key personnel are missing, or lack training and knowledge; mild turnover	Most or all key personnel are knowledgeable, trained and in place; little to no turnover
		6 points	**3 points**	**0 points**

History of Citizen Complaints	Number of new citizen complaints within the last year	More than 5 citizen complaints and/or late responses	1-5 citizen complaints and/or late responses	No citizen complaints
Compliance History	Number of open findings from PRDOH, HUD, HUD OIG, or Single Audits	**6 points**	**3 points**	**0 points**
		More than three open findings	1-3 open findings	No open findings
Experience	Previous experience with same or similar Grant, and whether funds are received directly from the Federal Entity (i.e., HUD)	**6 points**	**3 points**	**0 points**
		The entity does not have prior experience with same or similar Grant, and does not receive direct Federal funding	The entity has prior experience with same or similar Grant but does not receive direct Federal funding.	The entity has prior experience with same or similar Grant and receives direct Federal funding.
Program Performance	Programmatic Area and Finance Division experience with entity's compliance in program implementation, if any.	**6 points**	**3 points**	**0 points**
		The entity does not comply with Programmatic Area and Finance requirements throughout the Program implementation.	The entity partially complies with Programmatic Area and Finance requirements throughout the Program implementation.	The entity complies with Programmatic Area and Finance requirements throughout the Program implementation.
Total number of points need to be designated High-, Medium-, or Low-Risk		**51 points or more**	**21-50 points**	**20 points or less**

The risk assessment will be performed each December in preparation for the annual PRDOH CDBG-DR and CDBG-MIT Monitoring Plan that begins on January 1st of the following year. In addition, in July of each year, the PRDOH CDBG-DR and CDBG-MIT Monitoring Plan will be updated to include the results of additional risk assessments performed throughout the year for all entities that have entered the risk assessment pool for the first time since the last risk assessment was conducted.

Entities enter the risk assessment pool in one of two (2) ways, whichever occurs sooner: Once the entity receives reimbursement for an invoice and a drawdown is completed in DRGR; or if **six (6) months** after the written agreement is executed.

Once in the risk assessment pool, a risk assessment will be performed for each entity in receipt of CDBG-DR and CDBG-MIT funds with one or more active programs/activities. An active program/activity is defined as any CDBG-DR and CDBG-MIT funded program/activity within the entity's portfolio that has not completed a close-out monitoring event at the start of the risk assessment process.

In addition to the quantitative criteria included in the risk assessment; qualitative risk factors may also be considered. This will not change the overall risk score but may provide justification for including an entity as part of a monitoring strategy or plan. Qualitative factors may include, but are not limited to, local media reports, past audits and/or performances reviews by local government agencies or offices and the entity's litigation history. The risk assessment results for each entity will be documented in a summary risk analysis worksheet.

5.2 Annual Monitoring Plan

Based on the results of the risk assessment, an annual monitoring plan will be developed which will identify:

- Projected monitoring events for the upcoming calendar year and the projects/activities included per monitoring event;
- The type of monitoring event (on-site or remote) for each Monitored Entity;

- Technical assistance and/or training to be provided;
- Projected timeline for monitoring events, in order of priority, based on entities risk assessment scores (highest risk entities will go first); and
- Projected staffing resources needed for each projected monitoring event.

6   Monitoring Events

6.1   Types of Monitoring Events

There are four (4) types of monitoring events that can be performed:
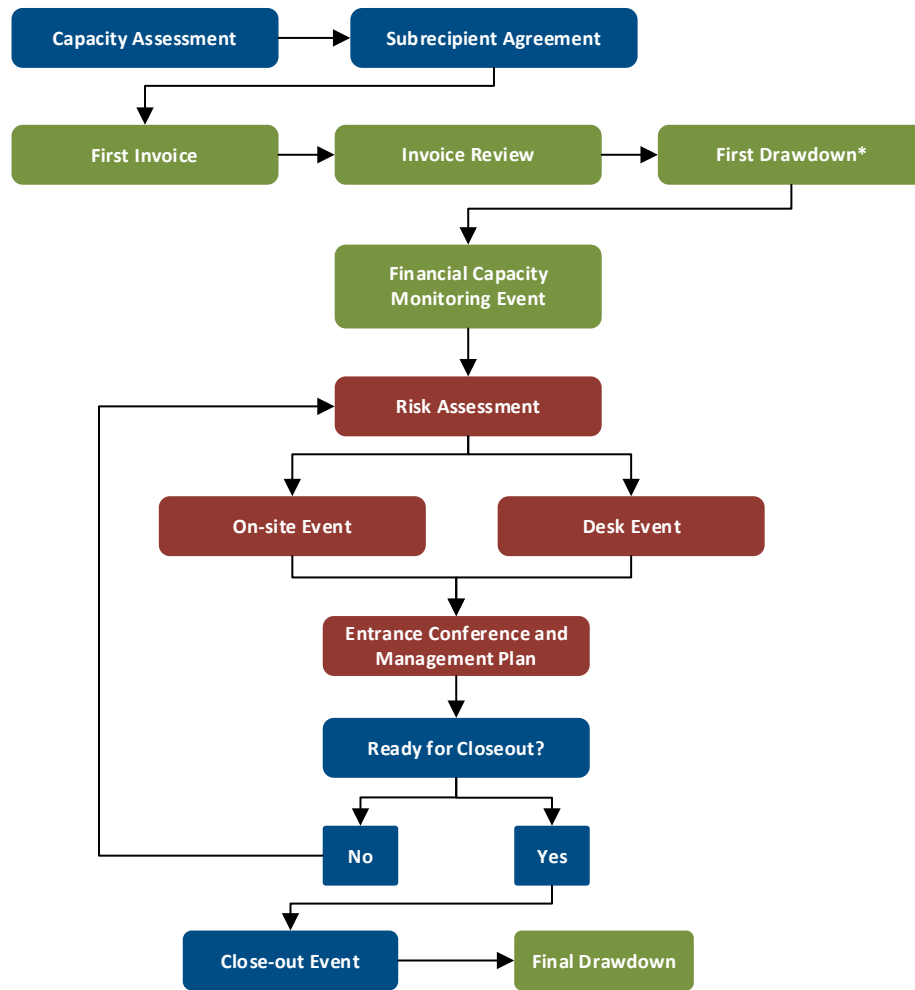
- **On-site Monitoring Event -** A monitoring event that occurs at the location of the monitored entity for all high-risk and select medium-risk grantees. This type of event may be conducted remotely due to extenuating circumstances that prevent the event from being conducted on-site (e.g., COVID-19).
- **Desk Monitoring Event -** Monitoring event that occurs remotely and in some cases is permissible for low- and medium-risk grantees.
- **Financial Capacity Monitoring Event -** A Monitoring event held once PRDOH completes a drawdown in DRGR for the first time for a contractor or subrecipient, to ensure the monitored entity has sufficient financial processes in place, are adequately staffed and trained, and are maintaining appropriate source documentation in compliance with PRDOH's Record Keeping, Management, and Accessibility Policy. This event can be completed remotely or on-site depending on the complexity of the review.
- **Closeout Monitoring Event -** Once a project is complete and a national objective has been met, but prior to final reimbursement, a closeout-monitoring event will be conducted to ensure that all program files are accurate and complete, and all findings and concerns have been cleared prior to close-out of the activity. This event can be completed remotely or on-site depending on the complexity of the review.

To ensure compliance at all levels (i.e., PRDOH CDBG-DR and CDBG-MIT programmatic areas, PRDOH CDBG-DR, and CDBG-MIT Finance Division, subrecipients and contractors) all monitoring events will focus not only on the monitored entity, but also on relevant PRDOH CDBG-DR and CDBG-MIT programmatic areas and the PRDOH CDBG-DR and CDBG-MIT Finance Division.

6.2   Monitoring Event Triggers

All entities receiving CDBG-DR and CDBG-MIT funds will be subject to a financial capacity-monitoring event once PRDOH completes a drawdown in DRGR for the first time for a contractor or subrecipient. Once in the risk assessment pool, as described in the Risk Assessment Section of this Monitoring Manual. The entity's risk assessment score from its bi-annual assessments (December and July of each year) will determined future monitoring events.

This section is intentionally left blank.

```
┌──────────────────────┐      ┌──────────────────────┐
│ Capacity Assessment  │─────▶│ Subrecipient Agreement│
└──────────────────────┘      └──────────────────────┘

┌──────────────────────┐      ┌──────────────────────┐      ┌──────────────────────┐
│    First Invoice     │─────▶│    Invoice Review    │─────▶│   First Drawdown*    │
└──────────────────────┘      └──────────────────────┘      └──────────────────────┘

                              ┌──────────────────────┐
                              │  Financial Capacity  │
                              │   Monitoring Event   │
                              └──────────────────────┘

                              ┌──────────────────────┐
                              │   Risk Assessment    │
                              └──────────────────────┘

         ┌──────────────────────┐      ┌──────────────────────┐
         │     On-site Event    │      │      Desk Event      │
         └──────────────────────┘      └──────────────────────┘

                              ┌──────────────────────┐
                              │ Entrance Conference and│
                              │   Management Plan     │
                              └──────────────────────┘

                              ┌──────────────────────┐
                              │  Ready for Closeout?  │
                              └──────────────────────┘

                      ┌──────┐      ┌──────┐
                      │  No  │      │  Yes │
                      └──────┘      └──────┘

         ┌──────────────────────┐      ┌──────────────────────┐
         │   Close-out Event    │─────▶│    Final Drawdown    │
         └──────────────────────┘      └──────────────────────┘
```

*Or if six (6) months pass after the written agreement is executed, whichever comes first.

Figure 2: Monitoring Event Triggers

6.3 Outcomes of Monitoring Events

Areas or topics reviewed during a Monitoring Event may result in the identification of observations, concerns, and/or findings for the Monitored Entity and/or the PRDOH CDBG-DR and CDBG-MIT programmatic area and/or the Finance Division responsible for the monitored area or topic.

- An **observation** is a comment about an area or topic where the Monitored Entity and/or PRDOH can improve program performance or recognize exceptional success and best practices.
- A **concern** is a deficiency in program performance, which should be brought to the attention of the Monitored Entity and pertinent PRDOH staff, and if not properly addressed, may become a finding.

- A **finding** is a violation of statutory, regulatory or program requirement for which sanctions or other required corrective actions are authorized.

7 Monitoring Process Overview

The following Figure shows each action that will take place, in chronological order, prior to conducting each monitoring event contained in the annual monitoring plan.

Monitoring Division
- Schedule and hold a meeting with **Programmatic Area or Finance Division** to discuss scope of **Monitoring Event**
- Schedule event and send **Intent to Monitoring Letter** to **Monitored Entity** with cc to **Program or Finance**

Provide **Monitoring Division** relevant information and documentation regarding the **Monitoring Event** topics ← **Program or Finance**

Monitoring Division
- Conduct **Monitoring Event** 30 days after **Notification Letter** sent
- Schedule and hold a meeting with **Program** or **Finance** to discuss results of event and areas of concern

Provide **Monitoring Division** relevant information and documents regarding the results of **Monitoring Event** ← **Program or Finance**

Monitoring Division
- Draft **Monitoring Report** to **Program** or **Finance** outlining all findings and concerns of the monitoring event
- Schedule and hold a meeting with **Program** or **Finance** to discuss the draft **Monitoring Report(s)**

Providing additional information and documentation that may affect the content of the **Monitoring Report(s)** ← **Program or Finance**

Monitoring Division
- Issue **Monitoring Report** to **Program** or **Finance** within 45 days of the **Monitoring Event**
- Issue **Monitoring Report** to **Monitored Entity (subrecipeint only)** within 45 days of **Monitoring Event**

Monitoring Division
- Schedule and hold meeting with **Program or Finance** to develop **Management Plan** and work with **Program or Finance** to resolve findings and concerns → Issue **Clearance Letter**
- Schedule and hold meeting with **Monitored Entity (subrecipients only)** to develop **Management Plan** and work with **Monitored Entity** to resolve findings and concerns → Issue **Clearance Letter**

Work with **Monitoring Division** to resolve findings and concerns issued to **Program** or **Finance** and **Monitored Entity** ← **Program or Finance**

Legend

| Monitoring Division interaction with Monitored Entity | Monitoring Division interaction with Program Area | Programmatic Area or Finance Division interaction with the Monitoring Division |

Figure 3: Monitoring Process Overview

7.1   Roles and Responsibilities

The PRDOH CDBG-DR and CDBG-MIT Monitoring Division is the lead division in all Monitoring Events, including monitoring events of other PRDOH CDBG-DR and CDBG-MIT divisions and programmatic areas. Other divisions and programmatic areas within the CDBG-DR and CDBG-MIT programs are responsible for providing the PRDOH CDBG-DR and CDBG-MIT Monitoring Division with information, documentation, and other resources necessary throughout the monitoring process. The roles and responsibilities for each party and key personnel are outlined in the SOPs.

7.2   Sequence of Events

Sections 8 to 10 of this manual apply to all types of Monitoring Events. The SOPs outline differences in processes, where applicable, for each Monitoring Event Type (e.g., on-site, desk, etc.). The sequence of events for all Monitoring Event Types is as follows:

- Planning
- Fieldwork
- Response

8   Planning

8.1   Meet with Program Area

Prior to a Monitoring Event, the PRDOH CDBG-DR and CDBG-MIT Monitoring Division should meet with relevant PRDOH program area(s) and divisions to develop the Monitoring Strategy to collect relevant information and documentation needed for the monitoring event.

8.2   Monitoring Strategy

Once the annual PRDOH CDBG-DR and CDBG-MIT Monitoring Plan is developed, a written monitoring strategy will be developed for each Monitored Entity to further define the scope and focus of each Monitoring Event. Each monitoring strategy, prepared by the PRDOH CDBG-DR and CDBG-MIT Monitoring Division, will identify key risk factors associated with specific activities to be monitored and will identify:

- Type of Monitoring Event (drawdown, on-site, desk, closeout);
- Documentation to be submitted by the Monitored Entity prior to the monitoring;
- The PRDOH CDBG-DR and CDBG-MIT Monitoring Division staff that will conduct the Monitoring Event and clearly define roles and responsibilities of each staff member;
- The names and contact information of key staff of the Monitored Entity;
- The dates, times, and location of the Monitoring Event;
- Required resources (e.g., travel funds if on-site; time needed if remote);
- The programs/technical areas to be reviewed; and
- The Monitoring Checklists to be use during the Monitoring Event.

8.3   Notification Letter

Once the date of the Monitoring Event is determined, a Notification Letter will be sent to the Monitored Entity. The letter will include:

- The date and time of the visit, or a statement indicating the event will be conducted remotely inclusive of a time and date for the virtual meeting;
- The program areas to be reviewed;
- Documentation requested prior to, and during, the Monitoring Event;
- Any technical assistance that will be provided;
- The Monitoring Checklists to be used during the event;
- Contact information of PRDOH monitoring staff;
- A request for a list of files to select a sample to review; and
- A request for adequate workspace to review files and for meetings with key personnel.

8.4   Documentation/Data Collection and Analysis

In preparation for a Monitoring Event, the following documentation should be reviewed:

- Documentation requested and received from the Monitored Entity;
- Active written agreements with the Monitored Entity;
- Progress and performance reports;
- Documentation provided by the program area;
- Drawdown requests;
- Documentation of previous monitoring(s), including open findings; and
- Copies of any audit reports of the Monitored Entity.

To the greatest extent feasible, these documents should be reviewed prior to the Monitoring Event to maximize the time available for reviewing documents during the Monitoring Event, especially if an On-Site event will be conducted remotely due to extenuating circumstances (e.g., COVID-19). Any potential deficiencies or evidence of non-compliance identified from the review of documentation prior to the Monitoring Event will be incorporated into the monitoring strategy or the Monitoring Report.

9   Fieldwork

9.1   Entrance Conference

An entrance conference will be held at the start of a Monitoring Event. This meeting should include key personnel from the Monitored Entity such as the director, financial and program staff, etc. During this meeting, the monitoring team will:

- Explain the purpose, scope, and schedule of the Monitoring Event;
- Confirm key personnel that will assist during monitoring activities;
- Determine times for interviews of key personnel, including times for key personnel to be available to answer questions about files, if necessary;

- Schedule physical inspections, if applicable; and
- Verify the programs areas to be reviewed and how access to files will be granted.

9.2 Documentation/Data Collection and Analysis

After the entrance conference, the Monitored Entity may offer, or the monitoring team may request, an overview of the monitored program(s). This will help the monitoring team with becoming familiar with the program design, implementation, progress, and areas for improvement.

Thereafter, the monitoring team should receive access to all documents requested in the Notification Letter and the sample of files selected for review. The monitoring team will use the Monitoring Checklists identified in the Notification Letter to perform the document and file review. The monitoring team throughout the Monitoring Event will complete the checklists, including their notes related to file review and key personnel interviews.

Throughout the monitoring activities, the monitoring team will maintain an on-going dialogue with the Monitored Entity. This is to keep the entity informed as how the monitoring is progressing, this also enables the discussions of any problem areas encountered; providing to the entity with an opportunity to react to preliminary findings and concerns and minimize the potential for surprises during the exit conference or in the Monitoring Report.

9.3 Exit Conference

At the completion of the monitoring event, the monitoring team will conduct an exit conference with key personnel to discuss preliminary finding and concerns. This meeting has the following objectives:

- present preliminary results of the monitoring visit and establish a clear understanding of the results of the Monitoring Event and next steps;
- provide an opportunity for the Monitored Entity to correct any misconceptions or misunderstandings during the exit conference;
- secure additional information to clarify or support the position of the entity; and
- provide an opportunity for the Monitored Entity to report any steps taken to correct any deficiencies identified throughout the Monitoring Event.

10 Response

The Monitoring Event could lead to different kinds of conclusions, including:

- Performance was adequate or exemplary;
- There were significant achievements;
- There were findings or concerns that need to be brought to the attention of the program area(s) and/or Monitored Entity; and
- Technical assistance if needed.

After the Monitoring Event is completed, the monitoring team will:

- Meet with the PRDOH CDBG-DR and CDBG-MIT programmatic area or Finance Division to discuss preliminary findings, concerns and to collect additional information and documentation;
- Draft the Monitoring Report;
- Issue Monitoring Reports to the PRDOH CDBG-DR and CDBG-MIT programmatic area or Finance Division and the Monitored Entity (if a subrecipient); and
- Work with the PRDOH CDBG-DR and CDBG-MIT programmatic area or Finance Division and Monitored Entity (if a subrecipient) to resolve open findings and concerns, including those issued during the current and past Monitoring Events.

10.1 Meet with Program Area

The PRDOH CDBG-DR and CDBG-MIT Monitoring Division should meet with relevant PRDOH CDBG-DR and CDBG-MIT programmatic area(s) or Finance Division:

- Immediately following the Monitoring Event to discuss preliminary findings and concerns and to collect additional information and documentation; and
- Prior to the issuing of the Monitoring Reports to PRDOH CDBG-DR and CDBG-MIT programmatic area(s) or Finance Division and the Monitored Entity (if a subrecipient) to notify relevant PRDOH staff of the contents of each Monitoring Report so they can prepare for upcoming actions and timelines.

10.2 Monitoring Report Types

The PRDOH CDBG-DR and CDBG-MIT Monitoring Division will issue two (2) Monitoring Reports for each Monitoring Event:

- The first Monitoring Report will be issued to the PRDOH CDBG-DR and CDBG-MIT programmatic area(s) or Finance Division and will include all findings and concerns of PRDOH and the Monitored Entity; and
- The second Monitoring Report will be issued directly to the Monitored Entity and will only contain results related directly to the Monitored Entity. The second Monitoring Report will be drafted only after the first Monitoring Report is finalized since the first Monitoring Report contains all contents of the second Monitoring Report and will only be issued after the report has been discussed with the Programmatic Area.

10.2.1 Draft Monitoring Reports

The PRDOH CDBG-DR and CDBG-MIT Monitoring Division will prepare the Monitoring Report draft, which summarizes the results of the Monitoring Event, and takes into consideration:

- The outcomes of the Monitoring Event as described in the exit conference;

- Any documentation and information submitted by the Monitored Entity within one week of the exit conference, if allowed; and
- Any documentation and information submitted by the program area(s) following meeting(s) after the exit conference.

Generally, the Monitoring Report should be positive and strike a balance between recognizing the common goal of responsibly and effectively implementing CDBG-DR and CDBG-MIT program(s) and reinforcing the needs and requirements to correct any deficiencies. If appropriate, the letter should include significant accomplishments or positive changes to establish and/or maintain positive relationships and to recognize the dedication and commitment of the Monitored Entity's staff to the program mission.

10.2.2 Final Monitoring Reports

Once the Monitoring Report Draft to the PRDOH CDBG-DR and CDBG-MIT programmatic area(s) or Finance Division is finalized, the PRDOH CDBG-DR and CDBG-MIT Monitoring Division should draft and finalize the Monitoring Report to the Monitored Entity and issue both reports. The PRDOH CDBG-DR and CDBG-MIT programmatic area(s) or Finance Division should receive a copy of the Monitoring Report issued directly to the Monitored Entity.

10.3 Response to Monitoring Reports

The PRDOH CDBG-DR and CDBG-MIT Monitoring Division is responsible for working directly with the Monitored Entity and the PRDOH CDBG-DR and CDBG-MIT programmatic area(s) or Finance Division to resolve open findings and concerns.

10.3.1 Monitoring Event Tracker

All Monitoring Events will be registered in a master file known as the Monitoring Event Tracker. This master file will allow accessibility to information on scheduled events and their corresponding status. The PRDOH CDBG-DR and CDBG-MIT Monitoring Division will update the Monitoring Report Tracker, inclusive of key information and deadlines associated with each Monitoring Event, any findings and concerns, and the status of each activity associated to a Monitoring Event.

For example, the Monitoring Report Tracker should reflect for each Monitoring Event key information on all: Monitoring Reports; findings; concerns; follow-ups; and every other step related to a Monitoring Event. The Monitoring Event Tracker will also serve as a reporting tool for the PRDOH CDBG-DR and CDBG-MIT Monitoring Division. As well as to maintain data on: (1) anomalies or performance problems that suggest fraud, abuse of funds, and duplication of benefits; (2) budgets, obligations, funding draws, and expenditures; (3) compliance with administrative and public service caps and the overall percentage of funds that benefit low- and moderate-income persons; and (4) the risk represented by the Monitored Entity (to determine priorities for the PRDOHS's monitoring of its subrecipients). In

sum, the Monitor Event Tracker will contain detailed information on monitoring visits, reports, audits, and technical assistance provided to subrecipients and program areas as part of PRDOH's oversight of its disaster recovery and mitigation programs.

10.3.2 Management Plan

The program area(s) and monitored entities have **thirty (30) days** to respond to all findings and concerns in the Monitoring Reports, unless otherwise specified in the Monitoring Report. Immediately after the Monitoring Reports are issued, the PRDOH CDBG-DR and CDBG-MIT Monitoring Division should schedule meeting(s) with the PRDOH CDBG-DR and CDBG-MIT programmatic area(s) or Finance Division and Monitored Entity to map out a strategy and a schedule (Management Plan) for resolving all open findings and concerns, including those issued in prior Monitoring Reports.

10.3.3 Clearance Letter

Once all findings and concerns have been remediated, the PRDOH CDBG-DR and CDBG-MIT Monitoring Division will issue a Clearance Letter to the PRDOH CDBG-DR and CDBG-MIT programmatic area(s) or Finance Division and Monitored Entity for each Monitoring Event. If a Monitoring Event did not result in any new findings or concerns, the Monitoring Report will also serve as the Clearance Letter. All findings must be addressed prior to the closeout of the CDBG-DR and/or CDBG-MIT funded activity.

10.4 Remedies for Non-Compliance

10.4.1 Non-Compliance Letter

PRDOH may undertake corrective and remedial actions in accordance with the authorities applicable to a Monitored Entity in 2 C.F.R Part 200 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards). To ensure compliance and to effectively administer the CDBG-DR and CDBG-MIT programs, in a manner that facilitates long-term recovery and mitigation efforts in Puerto Rico. Consistent with the procedures described in this Manual, PRDOH may adjust, reduce, or withdraw the CDBG-DR or CDBG-MIT grant or take other actions as appropriate, except for funds that have been expended for eligible, approved activities.

If a written response to the Monitoring Report is not received within **thirty (30) days** of receiving the Monitoring Report, a Non-Compliance letter will be sent to the PRDOH CDBG-DR and CDBG-MIT programmatic area(s) or Finance Division and Monitored Entity requesting their response within **fifteen (15) days** of the date of the letter. The letter will require the Monitored Entity meet in-person at PRDOH to update the management plan for prompt resolution of open findings and concerns. In response to an unattended deficiency, PRDOH will issue a warning letter followed by a corrective action plan that may include an updated management plan, which assigns responsibility for further administration of the subaward to specific entities or persons. Failure to comply with a corrective action may result in the termination, reduction, or limitation of payments to

subrecipients receiving funds under a CDBG-DR or CDBG-MIT subaward. Prior to a reduction, withdrawal, or adjustment of a CDBG-DR or CDBG-MIT grant, or other actions taken pursuant to 2 C.F.R Part 200, the Monitored Entity shall be notified of the proposed action and be given an opportunity for an informal consultation.

10.4.2 Additional Remedies

In accordance with 2 C.F.R. § 200.339, if a Monitored Entity fails to correct identified deficiencies, PRDOH may take one or more of the following actions:

- Temporarily withhold cash payments pending correction of the deficiency by the Monitored Entity or more severe enforcement action by PRDOH;
- Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance;
- Wholly or partly suspend or terminate the award;
- Recommend the Federal Awarding Agency initiate suspension or debarment proceedings as authorized under 2 C.F.R. Part 180 and Federal awarding agency regulations;
- Withhold further awards for the project or program; and
- Take other remedies that may be legally available.

11 Reporting and Recordkeeping

11.1 Recordkeeping

Maintaining adequate documentation to support the work performed is critical to the monitoring process. In addition to the Monitoring Event Tracker, the PRDOH CDBG-DR and CDBG-MIT Monitoring Division will develop a digital monitoring file for each monitoring to demonstrate that adequate oversight was conducted. Files will be organized so that documentation is easily retrieved and contain the following information, at a minimum:

- Copies of all formal communication and emails to/from the Monitored Entity:
  - Notification Letter
  - Monitoring Report
  - Management Plan
  - Clearance Letter
  - Letters of Non-Compliance
- Closeout Letter Copies of the completed and signed Monitoring Checklists;
- Evidence of technical assistance provided;
- Supporting documentation obtained prior to, during, and after the monitoring event from all parties (e.g., contracts, budget forms, participant policies, work write-ups). Supporting documentation should be easily traceable to the appropriate checklists and findings; and
- Copies of documentation related to the resolution of findings.

11.2 Disaster Recovery Grant Reporting (DRGR)

PRDOH is required to enter monitoring and technical assistance events in the DRGR system. The Monitoring Event Tracker will contain all of the information necessary to enter events into the DRGR system.

12 Grantee Oversight of Other Entities

As Grantee, PRDOH is responsible for establishing an adequate oversight mechanism to track the progress and monitor the performance of entities signed under CDBG-DR and/or CDBG-MIT agreements. As a result, PRDOH will carry out the following responsibilities:

- PRDOH will review financial and performance reports submitted by subrecipients and agencies or instrumentalities of the Commonwealth of Puerto Rico by means of a Financial Capacity Monitoring Event. Each Financial Capacity Monitoring Event is performed to confirm that progress is being made towards meeting the goals outlined in the subrecipient's agreement, and that performance is commensurate with the amount of funds expended.[6] Such reviews also reveal observations and concerns intended to correct deficiencies and improve program performance. As stated in the Definitions section of this Monitoring Manual, the Monitoring Division of the PRDOH CDBG-DR and CDBG-MIT Program uses HUD's CPD Monitoring Handbook checklist to conduct Monitoring Events. Additionally, HUD's checklist Exhibit 34-1 and 34-1A "Guide for Review of Financial Management and Audits" is used for the Review of Financial Management Requirements.[7] The Financial Capacity Monitoring Process is outlined in the Financial Capacity Monitoring Event standard operating procedure.

- The PRDOH CDBG-DR and CDBG-MIT Finance Division will review expenditures to confirm that the use of funds conforms to the cost principles at 2 C.F.R. Part 200, Subpart E – Cost Principles, and are net of all applicable credits. The PRDOH CDBG-DR and CDBG-MIT Monitoring Division also implemented a process to conduct the review of expenditures through the Financial Capacity Monitoring SOP and the Financial Capacity Monitoring Review Checklist. The reviews will cover topics such as items costs, improper payments, and direct and indirect costs, among others, while following Cost Principles as established in the Uniform Administrative

---

[6] See the Purpose, Outcomes of Monitoring Events, and the Documentation/Data Collection and Analysis sections of this Manual which provide information on how deficiencies are identified and when progress and performance should be reviewed. The Desk and On-Site Monitoring standard operating procedure outlines the steps the monitor must take to obtain and review performance reports to confirm progress is being made.

[7] CPD Monitoring Handbook checklist Exhibit 34-1 and 34-1A can be found at https://www.hud.gov/offices/adm/hudclips/handbooks/cpdh/6509.2/index.cfm

Requirements, Cost Principles, and Audit Requirements for Federal Awards in 2 C.F.R. Part 200.

- PRDOH CDBG-DR and CDBG-MIT Monitoring Division will perform a Capacity Assessment to determine whether specific conditions on subawards to subrecipients and/or in interagency agreements with Commonwealth Agencies are needed. This review will allow to impose specific Subrecipient Grant Conditions as needed, in accordance with 2 C.F.R. § 200.208 and the framework established by PRDOH for evaluating risks posed by a Subrecipient.[8]

- PRDOH will ensure that all subrecipients with subawards expended during the respective fiscal year that equaled or exceeded the threshold[9] set forth in 2 C.F.R. § 200.501 (Audit Requirements) have been audited as required by Subpart F Audit Requirements for non–Federal entities expending Federal awards. Compliance with the Single Audit requirements is ensured through the Capacity Assessment, Risk Assessment, and Monitoring Events described in this manual and as outlined below.

  o The Capacity Assessment Submission Package Questionnaire, Section 3.3 Single Audit Process and Outcomes, intends to assess a subrecipient's compliance history with federal requirements as observed by single audits of federally funded grant programs. The subrecipient is required to provide copies of the three (3) most recent single audits and the Monitor reviews the independent auditor's reports on internal controls over financial statements and major federal programs.[10] Depending on the findings issued by the auditor, the PRDOH CDBG-DR and CDBG-MIT Monitoring Division determines the potential risks posed by the subrecipient and may recommend special conditions to the agreement in order to mitigate these risks. During the Monitoring event, the Monitor utilizes the HUD CPD Monitoring Checklist Exhibit 34-1 "Guide for Review of Financial Management and Audits", (Section F corresponds to Audit Requirements) which intends to review if the monitored entity follows the audit

---

[8] See the Capacity Assessment section which indicates that the PRDOH CDBG-DR and CDBG-MIT Monitoring Division performs capacity assessments in compliance with 2 C.F.R. § 200.208(b)(1).

[9] Any subrecipient that expends $750,000 or more of federal grants or awards in any given year is required to undertake a single audit.

[10] As per Section 2.8, Assess Compliance History from the Risk Assessment and Monitoring Plan standard operating procedure, the Monitor is instructed to review whether the single audit identifies the CDBG-DR Program or a similar program as a major program, and whether there are findings from previous periods that remain open. The Risks Assessment process occurs twice per year and will include subrecipients that have been under the subrecipient agreement for six (6) months or has been paid for the first invoice, whichever happens first.
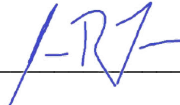
requirements of 2 C.F.R. Part 200 Subpart F (Audit Requirements) for the audit of non-Federal entities expending Federal awards.

o To ensure compliance with 2 C.F.R. Part 200 Subpart F (Audit Requirements), following the requirements for subrecipients in 2 C.F.R. § 200.332, the CDBG-DR and CDBG-MIT Finance Division will also implement and follow a procedure to collect information from subrecipients on whether they have been compliant with the Audit Requirements.

- PRDOH will determine whether the results of the subrecipient and Commonwealth of Puerto Rico Agencies' audits, on-site monitoring, or other monitoring requires adjustments to PRDOH's recordkeeping practices. The PRDOH CDBG-DR and CDBG-MIT Monitoring Division must always be aware of identifying areas that require improvement, which may present the need of adjustments to policies and/or procedures to ensure that monitoring activities cover all CDBG-DR and CDBG-MIT Program needs in compliance with applicable regulations. Therefore, during a monitoring event, the Monitor will report any deficiencies identified in internal controls that may require development, strengthening or proper implementation. The Monitoring Manual, Monitoring Plan and corresponding Standard Operating Procedures include the steps and processes for identifying deficiencies and how adjustments to policies and/or procedures are triggered.[11]

- PRDOH will enforce all interagency agreements with Commonwealth of Puerto Rico Agencies and shall take enforcement action against noncompliant subrecipients as described in 2 C.F.R. § 200.339, and in the Remedies for Non-Compliance section of this Manual.

13 Approval

This Monitoring Manual will take effect immediately after its approval. This document supersedes any previously approved version

---

[11] See the CDBG-DR and CDBG-MIT Monitoring Division On Site Monitoring Standard Operating Procedure which includes the steps taken to ensure: (1) that previously identified deficiencies have been resolved and potential risk mitigated effectively; (2) that Programmatic procedures are being implemented accordingly and recommendations are made when warranted; (3) that review of documentation from previous monitoring and audits is conducted to identify deficiencies where deficiencies have been observed in the past; (4) that a review has been conducted on whether the Monitored Entity, Programmatic Area, or PRDOH CDBG-DR and CDBG-MIT Finance Division has made the necessary corrections to records, policies and procedures; and (5) that staff from the Monitored entity is interviewed when required to gain additional knowledge on implementation process and where they differ from the entity's procedures and recommend potential modifications.

_____   _____June 10, 2022_____

José R. López Iglesias   **Date**
CDBG-DR and CDBG-MIT Monitoring Director