

UNITED STATES VIRGIN ISLANDS HOUSING FINANCE AUTHORITY

CDBG-DR COMPLIANCE AND MONITORING POLICIES AND PROCEDURES

**VERSION: 1.1
July 23, 2019**

Prepared by:

Virgin Islands Housing Finance Authority



The policies and procedures stated in this manual are current as of July 23, 2019. This Manual represents the current version of the Virgin Islands Housing Finance Authority's (VIHFA) policies which shall provide general guidance for the operation of the CDBG-DR Program. All manuals will be reviewed periodically and will be updated. Therefore, you are strongly urged to visit our website www.vihfa.gov/cdbg-dr to ensure that you have the latest version. There may be times, however, when a policy or procedure will change before the manual is revised.


SUBJECT: Compliance and Monitoring Policies and Procedures	
Version Number	1.1
Revised Date	July 23, 2019
Effective Date	July 24, 2019
APPROVAL:	
	
Antoinette Fleming, Director	7/24/19
VIHFA CDBG-DR	Date

Table 1: Compliance and Monitoring Manual Version Control

VERSION NUMBER	DATE REVISED	DESCRIPTION
VERSION 1 (DRAFT)	02/15/19	Monitoring and Compliance Policy and Procedure Draft
	03/11/19	Table 2 Updated
	04/15/19	Table 2 and Table 3 Updated
VERSION 1.1	7/15/19	Insert Cybersecurity Resilience
	7/23/19	Insert Sample of Pre-Monitoring Checklist

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1.0 VERSION HISTORY

Version Policy

Version history is tracked in Table 1, with notes regarding version changes. The dates of each publication are also tracked in this table. The first version of this document is 1.0.

Substantive changes within this document that reflect a policy change will result in the issuance of a new version 2.0, an increase in the primary version number. Future policy changes will result in additional revision and the issuance of a new primary version number.

Non-substantive changes such as minor wording and editing, or clarification of existing policy, that do not affect the interpretation or applicability of the policy will be included in minor version updates denoted by a sequential number increase behind the primary version number. Such changes would result in a version number such as 2.1, 2.2, etc.

Policy Change Control Board

Policy review and changes for the Monitoring and Compliance Policy are considered through a change control process. When policy clarifications, additions, or deletions are needed to more precisely define the rules by which the Program will operate, Program staff will submit a Policy Change/Decision Form or a Request for Decision Form for internal review by the Policy Change Control Board (PCCB). Within the PCCB, two members will separately perform a review to verify that all relevant information and any supporting documentation are included in the request. Upon PCCB concurrence by these two members that the request raises a policy issue, rather than a process issue, the Policy Change/Decision Form or Request for Decision is forwarded to the VIHFA CDBG-DR Policy Division for review. The requests are compiled and brought before the entire Policy CCB for a final policy change determination.

The PCCB members include, the Program Senior Manager, CDBG-DR Director, Special Counsel for Disaster Recovery, along with other VIHFA staff members representing VIHFA leadership, legal (if necessary), and policy specialists. At least one Subject Matter Expert working in a particular policy area or task area that will be affected by the PCCB decision will be invited to assist in policy evaluation, if necessary.

The PCCB intends to meet as necessary to review all pending requests but may meet as frequently as needed to consider critical policy decisions which will move the Program forward. The schedule for PCCB meetings is expected to move to a lower frequency as the Program matures.

2.0 DEFINITIONS

CDBG – Community Development Block Grant Program

CDBG-DR – Community Development Block Grant – Disaster Recovery Program

Concern - A deficiency in program performance that is not currently a violation of a statutory, regulatory or other program requirement. A concern is a program weakness that potentially could become a finding (see below) if not addressed.

Contractor – An entity competitively procured and selected to provide specified goods or services.

Corrective Action – Required steps to be taken to resolve findings and concerns.

Finding - A finding is a deficiency in program performance based on noncompliance with a statute, regulation, agreement or Subrecipient Agreement for which sanctions or other corrective actions can be taken.

Grantee – The state entity (VIHFA) that has a binding agreement in place with U.S. Department of Housing and Urban Development (HUD) to administer the CDBG Disaster Recovery program(s) and/or project(s). May also be referred to as Recipient.

Informational Issue - An issue that is important but does not rise to the level of a finding or concern.

Subrecipient – An entity that is provided CDBG-DR funds by VIHFA for their use in carrying out agreed-upon, eligible activities including autonomous and semi-autonomous, and other governmental agencies and non-profit organizations (see Chapter 1 of HUD Guidebook for Entitlement Grantees on Subrecipient Oversight).

3.0 GOVERNING REGULATIONS

VIHFA is responsible for assuring compliance with federal regulations under 24 CFR 570, 2 CFR 200 and other related requirements including the following and any future applicable federal regulations:

- The Robert T. Stafford Disaster Relief and Emergency Assistance Act, PL 100-707, as amended by the Disaster Relief Act of 1974, PL 93-288;
- Public Law 115-56: Additional Supplemental Disaster Relief Appropriations approved September 8, 2017;
- Public Law 115-123: Additional Supplemental Disaster Relief Appropriations approved February 9, 2018;
- Federal Register Notice [Docket No. FR-6066-N-01] – 2/9/2018;
- Federal Register Notice [Docket No. FR-6109-N-01] – 8/14/2018

4.0 INTRODUCTION

The Virgin Islands Housing Finance Authority (VIHFA) CDBG-DR Division has the ongoing responsibility to monitor all programs funded by the Community Development Block Grant Disaster Recovery (CDBG-DR) Program. This document will establish a plan to monitor and evaluate program performance and compliance for the VIHFA's CDBG-DR funds awarded to contractors and subrecipients of the Territory of the United States Virgin Islands (USVI). Periodic monitoring is an essential element of

the overall grant management process and is necessary to observe whether project goals, objectives, timelines, budgets and other related program and financial criteria are being met.

This plan establishes a monitoring protocol that will observe whether contractors, a subrecipients, and Grantee administer CDBG-DR grants in compliance with program, financial and administrative requirements set forth in the HUD CDBG-DR rules and regulations, Federal Register notices, Grant Agreements, Memoranda of Understanding (MOUs) and applicable federal and territory laws, regulations, and guidelines. In addition, this process will help to fulfill VIHFA's monitoring and evaluation obligations under the CDBG-DR program as required by HUD as well as subrecipient monitoring responsibilities as set forth in 2 CFR 200 Subpart D.

The purpose of this CDBG-DR Compliance and Monitoring Manual is to provide a reference source for the operation of the program. This manual contains the basic compliance and monitoring policies, rules and procedures that govern all VIHFA CDBG-DR programs. It is a guide for the administration of the VIHFA's CDBG-DR compliance and monitoring program. The procedures are consistent with those used by HUD to monitor state-administered programs and are modified as appropriate to monitor specifics of the Virgin Islands' Disaster Recovery Program.

This manual complements VIHFA's CDBG-DR Action Plan (Action Plan) and its subsequent amendments.

5.0 MONITORING PLAN & STRATEGY

The Compliance and Monitoring Plan (Plan) outlines principles of governance, standards and management supporting the VIHFA CDBG-DR Program (Program).

It also sets out the activities required by the Program and expectations from, subrecipients, contractors, and the Grantee (to include the records required to document these activities). In addition, the Plan may require corrections to any issues raised as part of the monitoring process and documentation of activities required to remedy these issues. The Plan aims to do so in a way that balances VIHFA's need to monitor program activities and participants that represent the greatest risk and susceptibility to fraud, waste and mismanagement with maximizing available resources within VIHFA for this purpose.

As a result, the VIHFA CDBG-DR monitoring strategy will assess subrecipients and apply a monitoring approach that aligns with the level of risk. (See Table 1) Monitoring of the program occurs through a series of activities that are conducted throughout the life of the program. The frequency of monitoring will be determined, in part, based on the capacity assessment analysis. At a minimum, VIHFA shall assess subrecipients by function, risk potential and financial integrity. VIHFA shall also confirm that recorded documentation is adequate for the needs of the Program and in line with established policies and procedures including the Action Plan.

6.0 MONITORING ROLES AND RESPONSIBILITIES

Program monitoring is managed by VIHFA's CDBG-DR Compliance and Monitoring Section and overseen by the CDBG-DR Division Head, reporting to the Executive Director. The Compliance and Monitoring Section will conduct monitoring through desk reviews, onsite visits and inspections, as needed. When necessary, Subject Matter Experts (SME) will assist as a resource to provide technical expertise. Staff positions and responsibilities are as follows:

6.1 VIHFA

Executive Director

- Signs all monitoring letters to subrecipients.

Director of CDBG-DR

- Reviews all CDBG-DR monitoring reports prepared by the Compliance and Monitoring Section.
- Approves the initial monitoring letter to the subrecipients.

CDBG-DR CFO

- Assists the CDBG-DR Compliance and Monitoring Section in any financial monitoring issues or concerns.

CDBG-DR Special Counsel

- Assists the CDBG-DR Compliance and Monitoring Section with any contractual compliance issues.
- Assists the CDBG-DR Compliance and Monitoring Section with resolving issues related to monitoring findings.

6.2 CDBG-DR Compliance & Monitoring Team

6.2.1 Compliance & Monitoring Senior Manager

- Responsible for the overall compliance and monitoring section, including performing capacity assessments and monitoring of subrecipient compliance with contractual agreements, coordination on development of policies and procedures for programs and operations, development of monitoring plans and schedules for periodic internal compliance reviews of CDBG-DR program activities and oversight of subrecipient, grantee and contractor compliance with all applicable federal and local rules and regulations.
- Leads the compliance and monitoring activities including:
 - Development and review of CDBG-DR policies and procedures for compliance
 - Development of monitoring approach and methodology
 - Creation of monitoring plans
 - Oversight of programmatic reviews
 - Operational, grantee, subrecipient and contractor monitoring
 - Other programmatic reviews as needed
- Facilitates external audits and regulatory monitoring visits by HUD, the HUD Office of the Inspector General (OIG) and the Territory and responds to state and federal government investigations and queries.
- Works closely with Director of CDBG-DR to ensure that staff, subrecipients, grantees, and contractors have knowledge of all applicable federal and local requirements.

6.2.2 Compliance & Monitoring Specialists

- Supports the development of monitoring plans and schedules for periodic internal compliance reviews of CDBG-DR program activities and oversight of subrecipient, grantee and contractor compliance with all applicable federal and local rules and regulations.
- Monitors the implementation of all CDBG-DR programs and operations.
- Provides ongoing technical assistance and training on HUD and CDBG-DR requirements to staff, subrecipients and contractors.
- Prepares monitoring reports.
- Assures that all bid documents, contracts and sub-contracts contain all applicable program and technical requirements including Federal Labor Standards Provisions and Davis-Bacon wage decisions.
- Conducts onsite inspections including interviews with laborers and mechanics.
- Explains Federal Labor Standards Provisions to contractors.
- Oversees monitoring of Section 3 compliance.
- Performs outreach, training, and assistance to Section 3 business concerns, residents, and other stakeholders and serve as a resource to contractors that are required to comply with Section 3 requirements.
- Determines applicability of the Section 3 requirement for programs and projects.

6.2.3 Environmental Specialists

- Will review the environmental documentation provided by subrecipients to assist the Compliance and Monitoring Section with monitoring to ensure compliance of applicable environmental laws and requirements.
- Recommends mitigation measures where non-compliant conditions are identified for program activities.

6.3 Subrecipients

The VIHFA CDBG-DR Compliance and Monitoring Section develops a relationship with the subrecipients. This relationship includes verbal and written communication with the subrecipients through formal methods (notices, website postings, training, etc.) and informal methods (phone calls, messages, meetings, etc.). The Compliance and Monitoring Section will provide the Subrecipients with up to date information on VIHFA CDBG-DR Division's role and guidance on the monitoring process. While VIHFA is responsible for monitoring the CDBG-DR program, each Subrecipient is responsible for establishing its own internal monitoring process and performing monitoring of its internal processes and projects to adhere to all monitoring requirements established by the CDBG-DR Program.

6.4 Contractors

Contractors hired by VIHFA, or any Subrecipient, are also subject to compliance with the applicable federal & local regulations, contract terms and conditions. The principal contractor (also referred to as the prime or general contractor) is responsible for the full compliance of all applicable CDBG-DR requirements, including but not limited to the contractor, subcontractors and any lower-tier subcontractors. They are responsible for achieving performance expectations and invoicing allowable, reasonable and fully supportable costs. VIHFA CDBG-DR Compliance and Monitoring Section along with their Subrecipients will ensure that contractors are aware of these requirements by providing individual and/or joint technical assistance workshops and communicating any updates as they are available. Information about the applicable federal regulations will be made available to potential contractors through various methods such as the website, flyers, public notices, outreach workshops, solicitation processes and other communication mediums as necessary.

7.0 MONITORING PROCESS

7.1 Overall Program Monitoring

Compliance monitoring is necessary to ensure that Subrecipients are undertaking a federally assisted activity in accordance with the applicable subrecipient agreement and federal rules and regulations.

VIHFA's monitoring process will include, but is not limited to, the following areas:

- National Objectives
- Environmental Reviews
- Eligible Activities / Cost Allowability
- Procurement
- Flow of funds (including subrecipient disbursements)
- Financial Management
- Fair Housing and Equal Opportunity
- Public Facility Improvements
- Labor Standards
- Acquisition and Relocation
- Property Management/Lead Based Paint
- Duplication of Benefits
- Section 3
- New Construction (Housing)
- Public Service

7.2 Risk Based Monitoring

7.2.1 Capacity Assessment and Analysis

Using a capacity assessment model, subrecipients receiving CDBG-DR grants will be assessed to determine the level and frequency of monitoring that should be performed in order to observe if the Subrecipient is accounting for and expending grant funds according to grant terms, and federal and territorial laws, regulations and guidelines.

Capacity assessments include an evaluation of both the magnitude of potential noncompliance and the probability that noncompliance will occur. Subrecipient characteristics examined include, but are not limited to, the following:

- Size of the grant(s)
- Type and complexity of project(s)
- Results of any previous audits
- Staff leadership, capacity, skills
- Adequacy of financial, acquisition, and grants management policies, procedures and reporting
- Financial stability
- Prior experience managing and accounting for federal grant funds in general and disaster relief funds in particular
- Reliance on outside contractors
- Conflict of interest
- Cybersecurity resilience

VIHFA CDBG-DR Compliance and Monitoring Section will use a rubric of relevant capacity factors (see Table 2) to evaluate Subrecipients in terms of risk (very low, low, medium, high, very high) in each area. A final score that corresponds to a consistent set of monitoring procedures will then be computed.

An important element in the capacity assessment is documentation of the process and results. This is critical in determining the frequency of desk monitoring and onsite visits. The Subrecipient’s work performance, changes in the organization or the nature of its activities may account for a capacity re-evaluation. This will be considered and determined on a case by case basis.

Table 1 Capacity Assessment

Category	Staffing, Experience, Leadership	Policy and Procedures	Compliance History	Complexity of Projects	Current Accounting Processes	Procurement	Total
Score	20	15	15	15	15	20	100

Very Low Risk: 81 – 100 Points Low Risk: 61 – 80 Points Medium Risk: 41 - 60 Points
High Risk: 21 - 40 Points Very High Risk: 0 - 20

7.2.2 Scheduling

The VIHFA CDBG-DR Compliance and Monitoring Section will define an appropriate schedule of monitoring for each Partner and Subrecipient based on results of the capacity assessment. A monitoring schedule will be established based on the result of a standard capacity assessment that was conducted for subrecipients. For consistency, modifications will not be made at this time to the risk factors evaluated. Should a variance occur, the Compliance and Monitoring Section must provide written documentation to support a change in capacity assessment. All variances must receive final approval upon review by the CDBG-DR Director prior to any changes being made.

Table 2. Monitoring scheduling guide based on capacity assessment results

Capacity Assessment Determination	Desktop Monitoring Schedule	Onsite Monitoring Schedule (At Least)
Very High	Weekly - Monthly	Monthly
High	Weekly - Monthly	Monthly
Medium	Monthly	Quarterly
Low	Monthly	Twice before project closeout
Very Low	Monthly	Once before project closeout

As a general guide, onsite visits for projects will be conducted by VIHFA CDBG-DR at fifty percent (50%) of the project’s completion and prior to project closeout, subject to results of capacity assessments and desktop monitoring results for the following:

- Housing Rehabilitation and Reconstruction Projects
- Infrastructure Projects
- Economic Revitalization Projects

Additional onsite visits may be required due to special circumstances. Visits may also be triggered by critical monitoring issues that require immediate correction, high visibility citizen complaints/media coverage or major changes in the approved Subrecipient Agreement. In addition, onsite monitoring will be required at the time of the first request for payment to ensure proper recordkeeping, timekeeping and other financial management issues have been properly addressed before additional payments can be made.

7.2.3 Project Monitoring

The VIHFA's CDBG-DR monitoring plan includes the use of desktop monitoring reviews and onsite monitoring visits. Onsite monitoring may include visits to the Subrecipient base of operation as well as project sites. The Monitor should sample program, project, contractor or Subrecipient documentation to draw conclusions about performance and capacity. Sample size can vary depending on the nature of the activity. A Subrecipient with only a few activities might need very few samples; however, one with a high number of activities may require a larger number of samples.

The overall level of risk identified for the subrecipient should dictate the frequency and depth of monitoring including how to mitigate identified risks, e.g., provide additional training, technical assistance or increase the frequency of onsite reviews.

7.2.4 Desktop Monitoring

The VIHFA CDBG-DR Compliance and Monitoring Section will conduct desktop monitoring of its Subrecipients. A desktop monitoring review assesses compliance with program, contractual, HUD, CDBG-DR, and other federal and territorial requirements. A desk review can assist with identifying potential problems early, preventing compliance violations, helping improve performance and establishing a working relationship. Desk reviews may include, but are not limited to, assessment of documentation, phone discussions or email exchanges with Subrecipients and assessment of monthly reports. The CDBG-DR Compliance and Monitoring Section will require monthly reports to be submitted by the Subrecipients to be reviewed for progress and spending against project scope and budgets. Monthly reports must include but is not limited to the following:

- Narrative
 - List project or program activities worked on to include activity progress
 - Subrecipient Procurement status
- Images
 - Maps
- Current employee listing and wages
- Draw requests and total expenses

The monitoring team may use the monitoring checklists to aid in identifying potential areas of concern to determine the necessity and frequency of desk reviews. Desktop monitoring will remain throughout the project lifecycle.

7.2.5 Onsite Monitoring

Onsite monitoring builds on previously completed capacity assessments and monitoring desk reviews. Onsite reviews should be specific as to which projects are to be discussed during the visit. The Subrecipient should expect the Monitors to spend a minimum of one business day onsite, which may include the base of operation or the project site.

During the onsite visit, the Compliance and Monitoring team will conduct an Entrance Interview to confirm that Subrecipient has a clear understanding of the purpose, scope and schedule for the monitoring visit. A minimum of 20% of the files will be sampled based on industry standards for each subrecipient. VIHFA reserves the right to sample additional files based on concerns of significant developments (per CFR) and of fraud, waste and abuse.

The Compliance and Monitoring Section schedules visits to meet with Subrecipients or contractors to review program files, project files, administrative records and financial records, if applicable, for accuracy. The Section also conducts physical inspections of projects and sites.

VIHFA CDBG-DR Compliance and Monitoring Section performs monitoring onsite visits to:

- Determine compliance with federal, state and local program requirements.
- Verify record retention operations are fulfilled and consistent with applicable federal and Territory regulations.
- Verify proper source documentation exists and adequately substantiates undertaken processes.
- Verify subawards (direct, subrecipient and contractors) are operating in accordance with their respective subaward agreement and approved-upon scope.
- Efficacy of internal controls will be reviewed including segregation of duties, organizational charts, job descriptions, policies and procedures, and other relevant documentation.

7.2.6 Executing the Onsite Monitoring Visit

The steps shown in the flowchart below provide the high-level process for executing an onsite monitoring review.



8.0 MONITORING REVIEW PROCESSES & PROCEDURES

1. *Sending the Monitoring Notification Letter*

Upon notification by the Compliance & Monitoring Section, the Compliance & Monitoring Specialist will contact the Subrecipient via e-mail and/or by telephone at least 60 days prior to the monitoring to advise them of an upcoming visit and present the dates and time tentatively scheduled and issues to be reviewed.

The Compliance and Monitoring Specialist will prepare the official Monitoring Notification Letter (MNL or Letter) notifying the Subrecipient of the monitoring visit. The MNL will notify the Subrecipient of the date, time, location, necessary participants and reason for the visit. Also included with the letter will be a Pre-Monitoring Document Checklist (See sample checklist in Appendix A). The document checklist will allow the Subrecipient to review and gather their files prior to the visit to ensure complete records are available, as required. The Letter and accompanying documents will be sent via e-mail at least 30 days prior to the visit. VIHFA reserves the right to provide less notice if issues arise.

The Compliance and Monitoring Specialist will follow up with an e-mail and phone call to the designated point of contact at least 14 days *prior* to the visit to confirm the date and time and obtain logistics for the date of arrival. Additionally, for any items not provided in the Pre-Monitoring Document Checklist, an additional request should be made, and an email sent for follow up identifying outstanding documents. Any changes needed in scheduling will be communicated and discussed with the Subrecipient to schedule an appropriate date, time and location.

2. Conducting the Entrance Conference

The monitoring visit will begin with the Compliance and Monitoring Specialist conducting an entrance conference. The meeting should include an authorized representative (the person who signed the CDBG-DR Subrecipient Agreement, or designated representative based upon delegation of authority), program staff, fiscal staff and other interested parties for the Subrecipient. The Compliance and Monitoring Specialist will review the purpose of the visit, discuss the activities to be monitored, explain the review process and identify the possible outcomes. The Compliance and Monitoring Specialist will ask the Subrecipient to identify contact staff for each activity and/or general support functions, such as location of the copiers, access hours, exits, etc.

3. Completing the Review

The Compliance and Monitoring Specialist will use the Onsite Monitoring Checklist(s) (See Appendix B for a list of possible checklists to be used) to guide the review. The review will assess issues identified in the Capacity Assessment and related sources with special attention to the following:

- Project scope
- Project schedule / period of performance
- Project benefit
- Project budget
- Eligibility requirements
- Performance reports
- Compliance with policies and procedures
- Job creation / retention
- Environmental review
- Procurement
- Labor standards
- Property acquisition, relocation and displacement
- Housing activities
- Public improvements, public services and public facilities
- Equal opportunity and fair housing
- Financial management
- Improper payments
- Construction projects and activities
- Subrecipient payments
- Conflict of interest
- Record retention
- Information technology
- Duplication of benefits
- Program income when applicable

The VIHFA CDBG-DR Compliance and Monitoring Specialist will accompany the Quality Assessment/Quality Control Specialist (QA/QC) to conduct project site inspections during the period of review. The Subrecipient or their designee is expected to accompany the Compliance and Monitoring Specialist during this phase.

4. Conducting the Exit Conference

At the end of the onsite monitoring visit, the reviewer(s) will hold an exit conference with the appropriate members of the Subrecipient's management team to:

- Solicit any questions, comments or concerns that may not have been addressed during the visit;
- Identify compliance gaps and areas where compliance can be strengthened through corrective actions;
- Identify follow-up measures to obtain corrective action to be taken by VIHFA CDBG-DR Division and/or the Subrecipient as a result of the monitoring review (i.e., reimbursement, technical assistance, training, written guidelines, job aids, required resources, including other measures); and
- Solicit feedback from the Subrecipient to identify any areas of self-improvement in which the monitors can better support, assist, or otherwise enable project success.

The exit interview should highlight what will be included in the Monitoring Report.

5. Drafting the Monitoring Report

After the visit, the Compliance and Monitoring Specialist will meet with the Director of CDBG-DR and the Monitoring & Compliance Senior Manager to discuss the results of the visit.

Within 45 days of the visit, the Subrecipient's authorized representative or designee will receive formal notification of the monitoring results. In rare cases, depending on the nature of the issues, a follow-up visit may be necessary. If so, the Subrecipient will be advised within the 45-day window after the monitoring visit.

6. Drafting and Issuing the Monitoring Letter

A letter with a detailed monitoring report summarizing each program/technical area monitored, instances of compliance and noncompliance conclusions and any related findings or concerns and the associated corrective actions will be prepared and delivered to the Subrecipient via hard copy and email. All conclusions, both positive and negative, must be supported by facts stated in the letter. The Subrecipient will be required to provide a written response, within 30 days of the monitoring letter date. In some cases, an interim response might be appropriate when additional time is required to address key issues.

Failure by Subrecipients to take the action specified in the monitoring report may cause suspension and termination of the contract and de-obligation of any remaining CDBG-DR funds and could lead to recommendation for inclusion of the Territory's debarment list and associated financial penalties.

7. Follow Up: Providing Technical Assistance and Corrective Actions

As with all phases of monitoring, the information provided in the exit conference is technical assistance and designed to build capacity and ensure program compliance. The Monitoring Report reflects technical assistance provided on site during the visit and corrective actions will be structured to reinforce capacity building and sound internal controls to ensure the flow of funds are used for the intended purposes.

Subrecipient's have 30 days to submit a written response, including corrective actions to address all findings or concerns. A corrective action period of 30 days will be given to correct all findings. The corrective action plan should not only correct the immediate problem but also create future controls that prevent the situation from recurring. Extensions of the corrective action period may be requested in writing for a period that is acceptable to both parties.

At the conclusion of the corrective action period, the Compliance and Monitoring Specialist will review the corrective action documentation submitted.

If the Subrecipient is uncooperative, does not comply with the monitoring report requirements or does not act to clear the findings and concerns, VIHFA may consider this a violation of the Subrecipient Agreement.

Possible actions that the VIHFA CDBG-DR Division may impose includes issuing a letter of warning that the below additional action(s) will be taken if instances of noncompliance and deficiencies are not corrected or are repeated.

- Advise the Subrecipient that additional information or assurances will be required before additional funding is provided.
- Suspend or terminate the expenditure of funds for a deficient activity or grant.
- Refrain from extending any further assistance to the Subrecipient until all instances of noncompliance have been remedied.
- Require reimbursement of funds in question and identified improper payments.

8.1 Monitoring Conclusions

As a result of monitoring, the CDBG-DR Compliance and Monitoring Section will determine an appropriate conclusion. The conclusions will be categorized as a "finding," "concern" or "informational". The final monitoring category and necessary corrective actions will be transmitted to the Subrecipient via a formal Monitoring Report.

Each issue will be identified as either a Finding or a Concern. Program deficiencies will be rectified through constructive discussion, negotiation and technical assistance.

A "Finding" is an action, or lack of action(s), in direct violation of a statute, regulation, subrecipient agreement, or other legally binding requirement. A "Concern" is an action or actions that could result in a Finding if not corrected within the specified period. Both Findings and Concerns require corrective actions to be submitted to the Compliance and Monitoring Section for review and approval. A Finding may result in the repayment of CDBG-DR funds if the problem is an ineligible activity/project or a violation of other major program/technical requirements. "Informational" issues will be provided as technical assistance to strengthen the Subrecipient's program management capacity and usually does not require corrective action.

8.2 Monitoring Tools

The VIHFA CDBG-DR Compliance and Monitoring Section will use four (4) tools to assist in the execution of a full monitoring process.

- a. Federal Register Notice(s) – The Federal Register Notice will be used for adhering to HUD regulations.
- b. Monitoring Checklists - The Monitoring Checklists will be used for monitoring. The checklist is created for all categories of projects, therefore, all sections may or may not apply to each project.
- c. Program Policies - Program policies will serve as a resource for the Monitoring Section.

- d. Monthly Progress Reports - Monthly Progress Reports will serve as a tool for Desk Monitoring and will provide the most current project timeline to the Monitoring Section.

8.3 Contractor Monitoring

Monitoring contractors for compliance with terms of their contracts is a federal requirement. Contractors procured to implement a specific project (i.e. construction projects) will be monitored during the project monitoring component of the compliance and monitoring plan. VIHFA will conduct desktop and site visit monitoring at regular intervals. Monitoring is planned to occur on a monthly basis with ad-hoc monitoring to be conducted based on follow-up for corrective action plans and issues that may arise. Special conditions will be monitored and followed-up on a cases-by-case basis.

For each project, the Monitor will select a sample of contractors to be reviewed. The sample will be determined by the Monitoring team based on the number of contractors, size and scope of the project. The sample will be defined and documented as part of the monitoring file. Some of the sample documents that will be reviewed includes procurements, contracts, invoices, disbursements and other documentation associated with each project and subrecipient (including contractors). A minimum of 20% of files will be sampled per subrecipient during desk or site visit monitoring based on industry standards. Variables that may inform sampling include: number of payments, dollar amounts of projects, federal requirements.

8.4 Internal Monitoring

The CDBG-DR Compliance and Monitoring Section will perform internal monitoring of VIHFA operations and management of CDBG-DR activities utilizing the policies set forth in this document to determine compliance with all applicable rules and procedures and to correct any deficiencies noted in a timely manner.

8.5 Cybersecurity Resilience

VIHFA currently utilizes a managed service provider, for its internet services and for miscellaneous IT professional services. VIHFA operates a private autonomous network, based on Multi-Protocol Label Switching (MPLS) technology. VIHFA's internet provider is currently providing basic firewall services.

The CDBG-DR Compliance and Monitoring Section will perform desktop and internal monitoring of VIHFA's MIS systems and will conduct onsite visits of the IT and professional services provider with the assistance of the CDBG-DR MIS Senior Manager. The cybersecurity measures implemented by the subrecipients will also be monitored. The monitoring procedures will be geared to determine compliance cybersecurity safeguards and firewalls to prevent access to and the loss of VIHFA data.

9.0 TECHNICAL ASSISTANCE

Prior to the initialization of the CDBG-DR program, all Subrecipients must attend a subrecipient orientation. The orientation will provide an initial introduction to the Community Development Block Grant Disaster Recovery program. It will also present an opportunity to review the requirements tied to the funding awarded through CDBG-DR. Once the initial orientation has occurred, Subrecipients who may have missed the initial orientation will be scheduled for a one on one or group technical assistance session.

Each one on one or group technical assistance session may briefly cover the topics discussed in the initial orientation as well as bring all parties up to date with the current status of the CDBG-DR program and their respective project(s). The sessions are intended to ensure that no subrecipient is left behind when executing the CDBG-DR program.

If it is determined through the monitoring process that additional technical assistance is needed for Subrecipients, the Compliance and Monitoring Section will work to determine the most appropriate form of technical assistance to be provided. Technical assistance may be determined based on a need identified by the Compliance and Monitoring Section or based on request from the Subrecipient or the VIHFA CDBG-DR Program Staff. Examples of technical assistance that may be provided, but is not limited to, the following:

- Training
- Additional capacity/resource support
- Written guidelines
- Job aids
- Flow of funds and disbursements
- Reporting requirements, i.e. monthly progress report

Recurrence and extent of technical assistance will be determined by the Compliance and Monitoring Section based on working with the Subrecipients and based on additional outcomes of ongoing monitoring.

10.0 REPORTING FRAUD, WASTE AND ABUSE

The VIHFA Compliance and Monitoring Section will report in writing, any suspected instance of fraud, waste and abuse to the VIHFA Internal Auditor. The VIHFA Internal Auditor will review received reports for further investigation. Should there be substantial concern, the VIHFA Internal Auditor will perform ongoing fraud risk assessment to detect fraud, waste, abuse, and mismanagement of funds, and will ensure that the VIHFA Board of Directors are updated on all reports of fraud, waste and abuse through a monthly report. Suspected instances of fraud, waste and abuse can be reported by contacting the Fraud Hotline at (340) 777-4655. See the overall Fraud Waste and Abuse policy for additional guidance.

APPENDIX A: PRE-MONITORING CHECKLISTS

U.S. Virgin Islands

July 22-24, 2019

Sample Subrecipient Pre Monitoring Checklist

PURPOSE

This pre monitoring checklist is prepared for the Virgin Islands Housing Finance Authority's (VIHFA) Community Development Block Grant disaster recovery (CDBG-DR) grant B-17-DM-78-0001, in accordance with the HUD Monitoring Desk Guide: Policies and Procedures for Program Oversight. In general, the scope will include an overall review of program management and administration, written agreements, procurement, and reviews of other program eligibility and other Federal recordkeeping requirements, as needed. The goals of this visit are to ensure efficacy and efficiency of management of disaster recovery funds, compliance with the State and local policies and procedures, and to ensure adequate documentation through local file review and project site visits. To ensure programmatic compliance, the programs, areas, and functions that will be reviewed are listed below.

- VIHFA's CDBG-DR Grants:
 - B-17-DM-78-0001

- Programs, areas, and functions to be reviewed:
 - Overall Management
 - Grant management and staff capacity
 - CDBG-DR Policies and Procedures

 - Written Agreements
 - Written agreements executed under CDBG-DR

 - Procurement
 - Requests for Proposals for goods and services funded with CDBG-DR
 - Procured contracts
 - Procurement policies and procedures

MONITORING CHECKLISTS TO BE USED

Guide for Review of Overall Management of CDBG Disaster Recovery Grants

Guide for Review of Written Agreements

Guide for Review of Procurement

Completion of other pertinent Exhibits

RESOURCES

Monitoring exhibits can be found in the CPD Monitoring Handbook:

http://portal.hud.gov/indportal/HUD?src=/program_offices/administration/hudclips/handbooks/cpd/6509.2

Action Plans and Amendments can be found at the grantee's website:

<https://www.vihfa.gov/disaster-recovery>

CDBG Disaster Recovery Supplemental Appropriations, *Federal Register* Notices, Waivers, and Alternative Requirements can be found at:

<https://www.hudexchange.info/cdbg-dr/cdbg-dr-laws-regulations-and-federal-register-notices/>

APPENDIX B: MONITORING CHECKLISTS

The Exhibits should be used to monitor overall management of a Community Development Block Grant - Disaster Recovery (CDBG-DR) Program. It is divided into sections for the purpose of monitoring CDBG-DR grants awarded to states and state grant recipients. Per the *Federal Register* Notices, CDBG-DR state grantees are provided a waiver and alternative requirements that allow them to carry out activities directly or through a subrecipient.

Listed below are monitoring checklists (not all inclusive) that may be used to monitor the VIHFA CDBG-DR Program and its Subrecipients:

1. Guide for Review of Overall Management of CDBG Disaster Recovery Grants
2. Guide for Review of Written Agreements
3. Guide for Review of State Citizen Participation Plan
4. Guide for Review of Financial Management
5. Guide for Review of Procurement
6. Guide for Review of Housing Rehabilitation and Reconstruction
7. Guide for Review of New Construction of Housing
8. Guide for Review of Infrastructure
9. Guide for Review of Labor Standards Administration
10. Guide for Review of Economic Development
11. Guide for In-Depth Environmental Monitoring
12. Guide for Review of Historic Preservation and Archeology
13. Guide for Review of Floodplains and Wetlands
14. Guide for Review of Endangered Species
15. Guide for Review of Noise
16. Guide for Review of Air Quality
17. Guide for Review of Aquifers
18. Guide for Review of Water Quality
19. Guide for Review of Site Hazards
20. Guide for Review of Environmental Justice