



**HOUSING OPPORTUNITIES FOR
PERSONS WITH AIDS (HOPWA)
GRANTEE OVERSIGHT
RESOURCE GUIDE**

Office of HIV/AIDS Housing





U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-7000

ASSISTANT SECRETARY FOR
COMMUNITY PLANNING AND DEVELOPMENT

AUG 27 2008

Dear Colleagues:

It is with great excitement that the Office of Community Planning and Development is providing this Housing Opportunities for Persons With AIDS (HOPWA) Grantee Oversight Resource Guide. This publication represents a quantum step forward in providing support for the good management of these Federal resources. The information and other resource links developed by the Office of HIV/AIDS Housing will help HOPWA grantees, project sponsors, and HUD field offices more efficiently administer and monitor HOPWA program activities.

This resource guide is designed to help HOPWA formula and competitive grantees in fulfilling HOPWA program grants management responsibilities. The Department relies on HOPWA grantees to maintain an active partnership with project sponsors in using HOPWA resources in a responsive and accountable manner. The guide will assist grantees and project sponsors in reviewing current grants management compliance in acknowledging successes, as well as targeting support to matters in need of further attention. It is hoped that effective use of this guide will advance understanding by all participants in accomplishing the mission of the program. HOPWA partnerships are demonstrating results in maintaining stable housing arrangements, reducing the risk of homelessness, and improving access to care.

If you have any questions or comments concerning the guide, please send your questions to the Office of HIV/AIDS Housing at HOPWA@hud.gov or contact your local HUD Community Planning and Development field office.

Sincerely,

A handwritten signature in black ink that reads "Susan D. Pepler". The signature is fluid and cursive, with a large initial "S" and "P".

Susan D. Pepler
Assistant Secretary

The research, development, and publication of this manual was funded by the Housing Opportunities for Persons with AIDS (HOPWA) National Technical Assistance Program in partnership with the U.S. Department of Housing and Urban Development's Office of HIV/AIDS Housing. The substance and findings of the work are dedicated to the public. The authors and publisher are solely responsible for the accuracy of the statements and interpretations contained in this publication. Such interpretations do not necessarily reflect the views of the Government.

HOPWA Grantee Oversight Resource Guide Executive Summary

Purpose of This Publication

The Housing Opportunities for Persons with AIDS (HOPWA) Grantee Oversight Resource Guide is designed to provide HOPWA formula and competitive grantees with detailed guidance in fulfilling HOPWA grants management responsibilities regarding the oversight of project sponsors. This guidance is a tool to be used by grantees in navigating the grants management responsibilities to achieve the HOPWA program's housing stability performance outcome measures of maintaining stable housing arrangements, reducing risks of homelessness, and improving access to care. Solid program management is a product of active collaboration between grantees and their sponsors. Although the primary audience of this desk guide is HOPWA grantees, since they are ultimately responsible for overall HOPWA grants management compliance, the guide is structured to provide project sponsors with an understanding of the various topics and allow them to navigate these materials.

The U.S. Department of Housing and Urban Development relies on HOPWA grantees to maintain an active partnership with project sponsors in using HOPWA resources in a responsive and accountable manner. This guide provides grantees and project sponsors with an understanding of the various federal laws and regulations that govern the use of HOPWA resources and will help them conduct internal reviews to determine current compliance efforts and to identify actions in need of further attention. This guidance focuses on basic operations and compliance with HOPWA and other federal regulations. It provides grantees and sponsors with the tools and information required to understand and comply with federal grants management requirements. The Department can also assist in providing technical assistance, when needed, to support the collaborations in your community to achieve results in the delivery of this housing assistance.

Structure Of This Guide

This Resource Guide is based on the similar HUD monitoring tools used by the Office of Community Planning and Development to assess program performance and compliance with federal regulations and requirements that govern the use of HOPWA resources. Each chapter in the Guide includes an orientation to the topic at hand and incorporates the regulatory and operational context of the main program elements. These include standards for reporting and annual performance measurement, implementation of eligible HOPWA activities, and guidance on financial management, audits and procurement actions. References include relevant federal regulations, OMB Circulars, HUD Notices, and other guidance. Each chapter also includes a series of review questions that identify specific oversight and compliance items.

Grantees and sponsors are partners in delivering assistance to eligible households, with the grantee having oversight responsibility. This guide is oriented around the interactions between grantees and sponsors, e.g., contract management, billing, reporting, and site visits. It encourages an active relationship between grantees and sponsors, working towards the common goal of providing quality assistance to eligible households.

Most of this guide's chapters look at specific HOPWA eligible activities (such as tenant-based rental assistance, short-term housing assistance, or supportive services) or general grant management areas (audits, financial management, procurement). The first two chapters discuss the context for managing federal funds and the whole oversight process.

Focusing on project management areas and grantee-sponsor interactions, each chapter is organized in the form of questions that a grantee should consider in working with a project sponsor. Each question looks at some specific area of HOPWA program management, e.g., determining eligibility, rent calculation, housing quality standards, or proper documentation for payroll costs. A discussion follows each question, directing the reader to relevant regulations and other guidance and offering detail on how to meet federal requirements.

Each chapter ends with a checklist that grantees can use in reviewing and managing the performance of a sponsor. Sponsors can also use these checklists to self-monitor their own programs.

How To Use This Resource Guide

The Guide will give both grantees and sponsors a common framework to approach HOPWA program management and implementation. The guidance that it contains focuses on explaining the regulations that shape the HOPWA program. This guidance is based on what those regulations say and on guidance issued by HUD and other federal agencies. Working together, grantees and sponsors can use this Resource Guide dynamically as a tool to help them focus on particular challenges in program management and implementation.

Not every part of this guide will apply to every sponsor and project. For example, Chapter Five on Short-Term Housing Assistance will only apply to those projects and sponsors that provide some type of HOPWA short-term assistance.

For some of the topics in this Guide, (e.g., financial management) one could write a whole book in order to explain federal requirements fully. Choices were made to compress material or highlight key requirements and concepts.

In some cases, grantees may need to seek additional guidance from their HUD field office representative or a HOPWA technical assistance provider. Grantees should never hesitate to contact their HUD representative for additional assistance.

This Resource Guide is intended to give grantees a tool-kit to help them support their sponsors in managing HOPWA activities. Grantees and sponsors should use this guide to help them work together to meet the goal of the HOPWA program: providing safe, decent, affordable housing to low-income persons living with HIV/AIDS and their families.

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Acknowledgments

The U.S. Department of Housing and Urban Development's Office of HIV/AIDS Housing would like to thank the following for their support and assistance in developing this resource guide:

- Jonathan Sherwood and the team at AIDS Housing Corporation, Boston, for their instrumental development of this HOPWA Oversight Desk Guide, in adapting HUD documents and referencing requirements to support improved knowledge in operating HOPWA resources.
- Carl Lakari and Associates, for assistance with research and content development.
- Mariah Ybarra, at Building Changes of Seattle, Washington, for assistance with technical questions and suggestions along the way.
- The City of Lowell, Massachusetts for 'test-driving' some of the material.
- HOPWA Technical Assistance providers, for professional and technical support.
- Dave Pollack at ICF International, for detailed feedback on financial management.
- Field Office and grantee participants at the March 2008 HOPWA training in San Antonio, Texas.
- All the other HUD and HOPWA grantee personnel that provided feedback and comment on drafts of this Guide.
- The HOPWA programs that provided images for the collage on the cover:
 - Our House, Portland, Oregon;
 - Wisconsin House, AIDS Resource Center of Wisconsin;
 - Gardenview Apartments, AIDS Resource Center of Wisconsin;
 - Issan House, The Greyston Foundation, Yonkers, New York;
 - State of West Virginia;
 - Doorways, St. Louis, Missouri.

How to Use This Guide

The purpose of this guide is to help HOPWA grantees oversee the activities of their project sponsors, in order to ensure success in achieving the public purposes of these federal funds. This guide addresses key grant management issues and provides standards for grant oversight and compliance. The intended reader is the person who manages a HOPWA grant and is responsible for coordinating and guiding sponsors under these requirements. We expect that project sponsors will also find this guide useful. For both the grantee and the sponsor, the guide sets up a comprehensive framework for review and grant management. Readers will likely have a wide range of experience in conducting HOPWA oversight of grant management and performance, as well as different levels of technical knowledge. While some topics in this guide will be familiar to you, many may be new, at least in the level of detail provided in this guide.

Why Should a Grantee Monitor Project Sponsors and Sub-recipients?

Ultimately, the grantee is responsible for all project activities.

As the HOPWA regulations state:

“Grantees are responsible for ensuring that grants are administered in accordance with the requirements of this part and other applicable laws. Grantees are responsible for ensuring that their respective project sponsors carry out activities in compliance with all applicable requirements.”

24 CFR, Part 574, Section 500(a)

Look at this book as a field guide for reviewing HOPWA grants. Like a good field guide, this publication will help you know what you are looking for, where you will find it, and what to do about it. This chapter explains the context and scope of the grantee’s oversight responsibilities. Chapter 2 helps the grantee plan for its oversight activities. Chapters 3-10 each address a different aspect of running a HOPWA program, from eligible activities to finances.

Chapter 3 discusses program elements that will apply to the management of all HOPWA projects, while chapters 4-7 look at specific HOPWA activities. Chapters 8-10 return to topics relevant to every HOPWA project: financial systems, audits and

procurement. Throughout this document, the use of terms such as monitoring, oversight, compliance review, and performance assessment are used to convey similar concepts.

The guide is oriented around basic oversight questions. The discussion following each of these questions will unpack and explain the particular monitoring point. Chapters conclude with a checklist summarizing all of the items in the chapter. These checklists may be helpful tools for conducting monitoring reviews and are formatted for easy reproduction. Additional detail and real-life examples are used to illustrate key points. Each chapter highlights key elements followed by secondary items along with related data sources for the particular monitoring item. Elements are emphasized for a few reasons: a) they are essential to meeting HOPWA program goals, b) they are essential to program management, and/or c) they are commonly misunderstood or overlooked by providers. Key elements of oversight for these performance assessments are marked in the discussion and on the checklist with this symbol: ✱.

The organization of the chapters allows the reader to focus only on the sections relevant to the particular project being reviewed. For example, a HOPWA project that provides rental assistance and supportive services would be reviewed using Chapters 3 (Program-wide Elements), 4 (Tenant-based Rental Assistance), 7 (Supportive Services, Housing Information, and Housing Placement), and 8-10 (Audits, Financial Systems, and Procurement/Equipment).

Before we go further, here's a quick note on the limitations of this guide: it is not a complete discussion of every aspect of providing housing-related assistance and support to persons living with HIV/AIDS. It does cover some best practices for HOPWA programs but the focus is on grant management and not serving clients. This guide is intended as a complement to other HOPWA program training materials and publications. The focus is on the grantee-sponsor relationship in successfully managing HOPWA resources; it is not on the actual housing assistance and services provided.

Why Monitor?

The fundamental principle behind this guide is that grantees are responsible for all aspects of a project, including ensuring the sponsor's compliance with federal regulations and with the terms of the particular grant agreement between the

grantee and sponsor.

Effective oversight is an important part of managing and implementing HOPWA grants. It is fundamentally a collaboration between the grantee and the sponsor, with both working towards achieving program goals. It involves representatives from HUD, grant recipients (grantees), and grant sub-recipients (sponsors). The primary objective is to establish a set of constructive relationships which allow the grantee, the project sponsor, and HUD to work together to manage limited resources and nurture quality housing programs for low-income individuals and families living with HIV/AIDS.

Ongoing oversight and performance assessment helps the grantee ensure that projects are effective and that sponsors run them in compliance with program guidelines. With active oversight of performance, financial systems, and specific activities, the grantee can determine if a project is effectively meeting the housing-related needs of persons living with HIV and AIDS in a community. Monitoring should not only be perceived as a periodic exercise to emphasizing compliance and control but also as an integrated part of the grant making and management process, ensuring the delivery of quality assistance to HOPWA beneficiaries. It is an active, ongoing collaboration between the sponsor and the grantee to assess and adjust HOPWA projects when necessary, to best achieve public objectives.

Management assessment has a few key goals. It:

- *Ensures accountability.* Project monitoring can determine if a project sponsor is delivering housing and related services in compliance with HOPWA program and other standard federal requirements. HOPWA funds are very flexible and can be used for a variety of activities. These activities come with standards designed to ensure that funds are used to

Oversight is a Part of Active Grant Management

The grantee of a large multi-jurisdictional area with four sponsors provided very limited coordination and support to implement and carry out the HOPWA program activities. Though funding was made available to the sponsors, there were numerous cases of miscommunication, resulting in poor overall use of funds. This undermined the ability of the sponsors and the grantee to meet their goals. Remote and on-site monitoring should be a part of active and regular communication among grantees and sponsors.

support decent, affordable housing to eligible households in a cost-effective and efficient manner. Noncompliance with these standards can result in corrections and penalties, such as having to repay funds to the federal government, which would be costly for both grantees and sponsors. Active oversight between grantees and sponsors helps ensure that HOPWA dollars are being spent well.

- *Ensures effective and efficient use of resources.* HOPWA funds are typically spent by local non-profit organizations with close ties to the community, which is one of the strengths of the program. For many community organizations (small ones, especially), difficulties around infrastructure and capacity can sometimes arise and lead to issues with the timely use of funds, undertaking ineligible activities or inadequate documentation of activities. When organizations undergo staff changes, if they have staff that are not well trained on program requirements or if they have unclear operational procedures, compliance problems can result. Oversight can help a grantee identify a sponsor's administrative strengths and weaknesses. Based on this, the grantee can request corrective action and provide technical assistance to the sponsor.
- *Helps assess response to community needs.* The nature of the HOPWA program allows grantees to target HOPWA activities in response to specific local needs. Many HOPWA projects address very particular needs within the community that have been identified through community planning processes. Regular monitoring, including the remote review of performance reports and financial data along with on-site visits, helps grantees see if needs are being met, if performance is consistent with project plans and if resources should be redirected or restructured in some way.

What Do We Monitor?

What should the grantee look at, in order to meet the goals of good monitoring and oversight? Areas to monitor are grouped into three basic categories:

- Project Activities
- Performance
- Finances

Project activities should be evaluated in terms of conformance with the sponsor's grant agreement, compliance with HOPWA and other HUD regulations regarding eligible activities, the documentation of participant eligibility, the protection of client confidentiality, and adequate documentation of project activities. Competitive HOPWA grantees should review activities for conformance with both the primary grant agreement with HUD, and the particular agreement between the grantee and the sponsor. Formula grantees should review activities against their agreement with the sponsor, in the context of their HUD approved Consolidated and Annual Action Plans.

Performance is measured in a variety of ways. These include project accomplish-

Oversight Starts With the Selection of Qualified Sponsors

The oversight process really begins before the sponsor is even selected for a HOPWA project. The grantee should take care to select organizations that have a history of sound program management, and the delivery of related programs and services.

Some areas to consider:

- Eligibility as a HOPWA project sponsor (defined at 24 CFR 574.3) as a governmental housing agency or a non-profit organization (e.g., status under a valid IRS 501(c)3 ruling).
- Experience with and focus on serving people with HIV/AIDS.
- Ability to assess own performance and outcomes.
- Experience in managing interdisciplinary programs.
- Qualifications of staff to provide proposed services.
- Cultural competency to work with target population.
- Success in managing similar programs.
- Audit reports that demonstrate sound financial management.
- Organization is not barred from receiving federal funds (see <http://www.epls.gov/> for a list of barred entities and individuals).
- Has a valid unique identifier, such as the Employer Identification Number (EIN) or Tax Identification Number (TIN).
- Has a Duns & Bradstreet D-U-N-S® Number, if applicable. (This is a number assigned to each business identified in the D&B® database as having a unique, separate, and distinct operation. It is used by industries and the federal government for business identification and tracking, in addition to tax or employer ID numbers.)

ments (e.g., number housed), housing outputs, participant outcomes (e.g., increased housing stability), achievement of project goals and operational benchmarks, timely billing and reporting, and the timely expenditure of funds. There is a strong focus on accounting for performance and results across the federal government. As with other federal efforts, it is important that the HOPWA program be able to demonstrate the outcomes of its efforts to Congress and to stakeholders across the country. This includes reporting on inefficiencies, waste, fraud and abuse. In 2006, the HOPWA program introduced new reporting tools that incorporate standard outcome measurements for all grants. These new measurements will allow HUD to demonstrate better the effectiveness of the program in meeting its primary objective to provide safe, decent and affordable housing for low-income persons living with HIV/AIDS and their families. Good training, grantee oversight of sponsor performance in managing assistance, good grant management, and providing information to the public, are important parts of this accountability context. We will discuss the performance framework in more detail later.

A sponsor's financial performance and management of funds are the responsibility of the grantee. This means that grantees will need to keep an eye on the soundness of the sponsor's financial systems, the quality of their cash and asset controls, the existence of adequate financial records, documentation of grant activity, and the review of adequate audit records.

At the heart of the relationship between the grantee and the sponsor is the project sponsor agreement. This agreement sets the terms and conditions of the receipt and use of HOPWA monies from the grantee for the sponsor. The grant agreement should express all of the grantee's expectations for the sponsor regarding activities, performance, and financial management. This document is the foundation for the grantee's oversight process. In creating and enacting a grant agreement with a sponsor, a grantee should provide the sponsor with the following documents:

- A detailed scope of work, including objectives and benchmarks related to specific eligible HOPWA activities that are consistent with implementing the terms and conditions established in the grant or cooperative agreement between the grantee and HUD;
- A detailed line-item budget;
- Copy of the HOPWA regulations (24 CFR 574) and related income calculation regulations (24 CFR Part 5.609, .611 and .617);

- For non-profit sponsors, copies of OMB Circulars A-110 (on grants and agreements), A-122 (on cost principles) and A-133 (on audits) and for governmental agencies, copies of OMB Circulars A-87 (on cost principles) and A-102 (on grants and cooperative agreements) and A-133 (on audits);
- The schedule and format for data collection and performance reporting; and
- The schedule and format for invoicing procedures.

Note: OMB Circulars A-122 and A-102 are implemented in Title 24 of the Code of Federal Regulations, in Parts 84 and 85, respectively.

The Oversight Environment

While effective oversight is part of a constructive program management plan and project-planning and assessment toolkit, it is also a requirement of the federal government. As recipients of federal funds, HOPWA grantees have straightforward responsibility and accountability regarding the eligible uses of these monies.

The responsibility for oversight involves every participant in the flow of federal funds, from HUD down through the grantee: The Office of Management and Budget (OMB) assesses the performance of the Department of Housing and Urban Development (HUD) and HUD Field Office representatives and HUD's Office of Inspector General oversee grantees. Management responsibilities for grantees are established by standards spelled out in the Code of Federal Regulations (CFR). These regulations cover everything from eligible HOPWA activities to financial requirements and cost principles, to lead paint poisoning prevention and procurement processes. We will be referring to the Code of Federal Regulations as our primary source throughout this guide, though relevant state and local standards may also apply, such as local tenant-property owner laws.

Volume 24 of the Code of Federal Regulations (24 CFR) contains HOPWA program regulations.¹ Part 574, Section 500(a), 'Responsibility for Grant Administration,' specifically addresses grantee oversight responsibilities.

Grantees are responsible for ensuring that grants are administered in accordance with the requirements of this part and other applicable laws. Grantees are responsible for ensuring that their respective project sponsors carry out

¹The Code of Federal Regulations, as well as many of the documents referenced in this publication, can be found at <<http://www.hud.gov/forms>>.

activities in compliance with all applicable requirements.

Specific responsibilities for HOPWA grantees that are governmental entities (state, county, or local government) are addressed in Part 85, Section 40, where it states:

[g]rantees are responsible for managing the day-to-day operations of grant and sub-grant supported activities. Grantees must oversee grant and sub-grant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee oversight must cover each program, function or activity.

Similar responsibilities for educational and non-profit HOPWA grantees are provided in 24 CFR Part 84, Section 51.

What standards guide the OMB, HUD staff, grantees, and sponsors? What guidelines control the HOPWA program? A few authorities shape the standards that are described in this publication. In descending order, from the very broad to the specific, these sources of authority are:

- Generally Accepted Accounting Principles (GAAP): A standard established by the Accounting Practices Board of the American Institute of Certified Public Accountants and

A Note About Monitoring Peer Organizations

With some competitive HOPWA grants, the HOPWA project is a collaboration among multiple non-profit organizations, with one organization taking the role of grantee and lead agency and the others being sponsors. The lead organization is required to oversee the activities, performance, and finances of its partners. This means that sponsors will have to open their internal systems and activities to close review by a peer organization.

Monitoring and oversight activities between peer organizations may make both parties uncomfortable with their roles. Partners in a collaborative should discuss monitoring and information sharing up front, incorporating them into grant work plans, a memorandum of understanding, and related review plans. The grantee's responsibilities are straightforward and grounded in the authorities discussed above. Open discussion regarding performance expectations and oversight plans will help all parties gain comfort with their respective roles. This publication will help standardize these expectations and structure the oversight process between peer organizations.

adopted by OMB for use by federally funded programs.²

- The Office of Management and Budget (OMB): OMB is part of the administrative branch of our federal government and is responsible for the federal budget and the oversight of federally administered programs. OMB issues guidance about the financial management of federal funds through circulars, memoranda, and bulletins.³ One OMB publication that a grantee might find valuable is the regular supplement to Circular A-133. Circular A-133 describes the audit requirements for recipients of federal funds. The supplement, updated regularly, contains specific guidance for auditors regarding the various HUD programs, including the HOPWA program. The supplement also includes helpful detail regarding compliance with federal financial management standards.⁴
- The Department of Housing and Urban Development (HUD): HUD is responsible for the management of housing and community development programs across the country. HUD (including the Office of HIV/AIDS Housing) issues guidance through regulations, notices, memos, and technical assistance publications, such as this one. HUD publishes regulations governing all of its programs in the Federal Register. These regulations are codified in Chapter 24 of the Code of Federal Regulations. The Office of HIV/AIDS Housing is part of HUD's Office of Community and Planning Development.
- The Office of HIV/AIDS Housing at HUD (OHH): This office oversees the HOPWA program's formula, competitive, and technical assistance grants. It is responsible for HOPWA-specific guidance, including the annual issuance of operating instructions for competitive and formula grants. It also develops the framework for and compiles annual performance reporting data. OHH directs and coordinates HOPWA technical assistance efforts across the country in support of HOPWA program goals and objectives.⁵
- Grant Agreements with HUD and between Grantee and Sponsor: Grant docu-

²More information about GAAP standards for federal programs can be found at <<http://www.fasab.gov/accepted.html>>.

³Office of Management and Budget information and documents can be found at <<http://www.whitehouse.gov/omb/>>.

⁴OMB Circulars can be found at <<http://www.whitehouse.gov/omb/circulars/index.html>>. Some of the indicators and monitoring procedures described in this publication were adapted from the OMB A-133 supplement.

⁵The HOPWA program's website is <<http://www.hud.gov/offices/cpd/aidshousing/index.cfm>>.

ments lay out the terms under which HOPWA funds are spent, activities are undertaken, and performance measured. Grant agreements (including contracts, statements of work, memoranda of agreement, etc.) should include clarification regarding scope of services, billing, documentation and reporting procedures, and performance measurements, all within the broader context of authority.

Together, these standards and documents give guidance that covers all aspects of using federal funds under the HOPWA program. This guide will help you understand the sources of various requirements that cover HOPWA grants and how these requirements should be implemented by grantees and sponsors.

In describing the nature and importance of HOPWA oversight and monitoring, this chapter has set the stage for the ones that follow. In the next chapter, we will discuss how to develop and implement a plan for overseeing project sponsors.

Developing an Oversight Plan

Oversight is an ongoing, multi-step process that includes planning, implementation, communication, and follow-up. The grantee should build oversight into the grant making, evaluation, performance assessment, and oversight processes, so that it becomes a part of their regular interactions with the sponsor. The oversight process, however, can be intensive and require specialized skills and knowledge. The tools in this publication are designed to help grantees approach oversight in an organized and well-informed way.

Elements of an Oversight Plan

Creating a plan will be easier if it is seen as a part of all interactions with the sponsor, including routine billing procedures. A site visit is only one way to think about monitoring. In fact, most significant oversight will occur remotely, through the review of billing and reporting data, feedback from participants, and supporting documentation.

A grantee should make the most of its regular interactions with the sponsor. The grantee should get to know its sponsors well enough to know what their program and administrative strengths and potential weaknesses are in order to help the grantee identify where to focus its oversight energy. Projects and sponsors vary in type, scope, and scale, a grantee will need to tailor its oversight to each particular grant situation, taking into account project complexity and sponsor knowledge, skills, ability, and other capacity. Once developed, communication of an oversight plan with project sponsors will help them understand and prepare for monitoring.

These are the initial tasks for developing a good oversight plan:

- Take a comprehensive approach with oversight plans, using both remote and on-site monitoring techniques;
- Target oversight efforts effectively by assessing the weaknesses and strengths of each sponsor through a risk analysis;

- Develop relevant oversight goals for each sponsor, focusing on specific areas of concern and primary project activities;
- Set standard data sources for remote and on-site review;
- Clearly define sponsor and grantee staff roles in providing and reviewing information and make sure that these roles are communicated with the sponsor;
- Set a schedule for both remote and on-site monitoring of all projects funded through the HUD grant; and
- Do timely follow-up after the review to communicate findings, concerns, and observations, as well as set a schedule for planned corrective action.

Comprehensive On- and Off-Site Monitoring

As mentioned, many oversight objectives can be addressed remotely as a regular part of a grantee's working relationship with a project sponsor, sharing information on achievements and difficulties. Ongoing review of project activity and information provides the foundation for all sponsor oversight. A grantee's oversight plan should focus first on what can be accomplished remotely using reporting tools and basic processes.

Grant agreements for HOPWA projects set the framework for ongoing monitoring through routine interactions with the sponsor such as report submission and invoicing. These interactions can touch on important questions: Is the sponsor submitting billing and adequate supporting documentation in a timely manner? Are billed activities in line with the scope and schedule of activities approved in the grant and are amounts in line with the budget? Is the sponsor spending money ('drawing down') more slowly or more quickly than anticipated? Does the procurement of major goods and services conform to HUD guidelines? Are the grantee's own reimbursement processes working to provide timely access to funds for the sponsor? Are participants satisfied? Are units occupied? Are performance reports submitted in a timely manner and with few errors? Is the sponsor achieving benchmarks as described in the grant agreement? Work closely with the sponsor, acknowledging their accomplishments and raising questions when necessary.

One simple way to focus regular oversight is to connect the submission of performance reports and the documentation of eligible activities with the submission and paying of invoices. This gives the grantee a focused 'status report' for a particular project. Ongoing monitoring lets the grantee continuously assess key performance indicators. It can help the grantee know if a sponsor might require

direct monitoring, technical assistance, or support.

On-site monitoring goes beyond the basic tracking of performance, spending, and activities. Site visits give the grantee the opportunity to evaluate performance and confirm compliance in a comprehensive manner. For example, at a site visit, the grantee can review project participant files, checking for adequate documentation of eligibility, compliance with confidentiality procedures, income verification, assessment of housing need, housing plans and tracking of services provided. Site visits are also a good opportunity for the grantee to get feedback from the sponsor about the state of the HOP-WA project. The grantee can take the opportunity to discuss changes at the sponsor agency, particular

challenges the sponsor may be encountering, or learn about good practices the sponsor has that might be useful for other projects/sponsors. As sponsor staff change and turn over, new employees may not be fully versed in grant management procedures or federal and other requirements.

On-site monitoring complements remote, ongoing oversight. The periodic visit to a project allows the grantee to directly observe its operations and probe more thoroughly its compliance and performance issues. Deciding when and under what

Using Risk Analysis In Remote Monitoring

Risk analysis helps the grantee use limited oversight resources efficiently, targeting sponsors or even particular activities within a sponsor's program for in-depth, on-site monitoring.

The grantee can gather valuable information about a sponsor's overall performance through the regular review of invoices, accompanying documentation and reports.

Some factors that might indicate risk:

1. Is billing late or poorly documented?
2. Is the grant complex, especially compared to other grants held by the sponsor?
3. Has the sponsor taken on new activities?
4. Have past audits or monitoring found problems which remain unresolved?
5. Does the program have high unit vacancy rates?
6. Are reports submitted on time?
7. Are reports complete and accurate?
8. Has the sponsor recently lost key staff persons?
9. Is the sponsor spending at a rate slower or faster than anticipated?

circumstances to conduct on-site monitoring is an important part of creating an oversight plan. A grantee may decide to make an on-site visit to a sponsor based on a risk analysis.

Risk Analysis

Risk analysis is a method to assess the potential risks that a sponsor might have in managing their project. It applies a number of factors to the basic information found in grant agreements, ongoing monitoring, reporting tools, client reports, and interactions with a sponsor. With risk analysis, a grantee is trying to decide what the likelihood is that a sponsor is running into problems with their grant. Doing a risk analysis can help the grantee to develop a reasonable schedule for where and when to do a site visit. It can also help a grantee know when a sponsor is running into problems, in order to intervene and better support the sponsor. Risk analysis focuses on key program areas, including the soundness of a sponsor's financial system and its ability to perform basic HOPWA activities.

Appendix 1 is a risk analysis tool for grantees to use. It follows the same tool that HUD Field Office staff persons use for evaluating HOPWA grantees with objective indicators. It focuses on simple indicators that can signal greater likelihood or risk that the sponsor may have some problems of significant impact with project management. At the beginning of each year, the grantee should do risk analyses for all of its sponsors. The grantee should then target sponsors that score highest for site visits. High scores on specific elements can also help the grantee focus its oversight attention on those elements. A sponsor that scores over 50 is a prime candidate for a site visit.

Grantees should keep in mind that the risk analysis tool included here offers a suggested framework for risk analysis but it is not an official HUD form. Grantees may adjust elements of the form as appropriate to local circumstances. For example, the first element on the form ranks sponsor risk based on grant size. A grantee may have a small award of its own or has small contracts with sponsors and will want to adjust these amounts. This would be done as appropriate in relation to the overall size of their formula or competitive grant and the sizes of the grants made to sponsors. The point is to distribute risk according to the relative sizes of HOPWA contracts overseen by the grantee and prioritize some sponsors over others in terms of risk.

Developing Oversight Goals

The central question that frames HOPWA oversight is whether the project is meeting HUD's goal of increasing access to decent, stable, and affordable housing for low-income persons living with HIV and AIDS. In other words, is the project effective? Answering this question is the most basic oversight objective for a grantee. Looking at the three areas of oversight—activities, finances, performance—the common denominator is evaluating success in meeting HUD's basic goal.

Every HOPWA project is unique in some manner. Projects assist individuals and households that vary widely and target different populations with changing needs. Agencies operate in many different sizes and shapes, and staff persons have a wide range of strengths and skills. The grantee's oversight should be in tune with these differences and should not look at every sponsor through the same lens. A risk analysis, combined with the grantee's own experience working with the sponsor, can highlight key areas to focus on with a particular sponsor. For each sponsor, the grantee should identify specific key indicators of success that are consistent with overall HOPWA goals and then focus remote and on-site monitoring on them.

Performance measures—spelled out in the grant agreement and reported on regularly—give the sponsor an opportunity to report their successes and challenges to the grantee. Along with performance, the grantee should identify other issues to focus its oversight of sponsors. The grantee should take into account variables that may require particular attention. For example, a project sponsor that undertakes a new or complex approved activity such as housing development would require a change in monitoring focus. The grantee would assist the sponsor in setting a reasonable schedule for the activity, and assessing ongoing capacity to accomplish this new task. Identifying oversight objectives for its projects will help a grantee focus its limited resources on specific areas to watch and to respond to, if necessary.

General oversight objectives include:

- Tracking project housing results and outcomes
- Documenting compliance with program rules and federal regulations
- Preventing fraud, waste, and abuse
- Identifying technical assistance and training needs

Project-specific objectives might include:

- Monitoring the ongoing quality of assistance provided at a community residence (Is the vacancy rate low? Are adequate services provided? Does the residence meet housing quality standards? Are housing stability outcomes achieved? Do participants indicate satisfaction?);
- Tracking progress of the cost and schedule for the rehabilitation of property using HOPWA funds;
- Supporting the progress of new projects with start-up activities through technical assistance or training; and
- Making sure that housing assessments and plans are prepared for program participants.

Each chapter of this book is designed to help the grantee focus on key oversight goals and highlights key oversight elements for every activity or program area discussed. The grantee should focus its energy on those items. The book breaks each chapter into specific questions as a tool to help a grantee take a flexible approach with the sponsors. Consistent with basic standards, the grantee can customize on-site and remote monitoring, depending on the goals of the grantee and on a sponsor's particular strengths and weaknesses and program design.

Data Sources for Oversight

Once the grantee has developed oversight goals, it will need to identify the information and data resources that will be used to document and track the particular objective. Primary data sources from the sponsor for remote and on-site monitoring include:

- Billing invoices and related documentation submitted by the sponsor
- Regular performance and outcome reports submitted per grant agreement
- Community and participant feedback regarding the project
- Information obtained from program participant records (i.e., 'participant files') through a confidential oversight process
- Written policies and procedures
- Activity records
- Financial records (especially time accounting records related to HOPWA program payroll costs)
- Third party project evaluations

There are two primary sources for ongoing monitoring done remotely: billing invoices (with related documentation) and performance reports. The grantee might

also receive feedback from the community regarding a particular project. On-site monitoring, of course, will involve reviewing information from a broad range of sources. For each of the oversight topics in this guide, we will discuss data sources and documentation in detail.

Oversight Roles

As with any administrative process, roles and responsibilities should be clear to everyone involved. On the grantee level, separate staff persons often handle interactions with sponsors regarding reporting and billing. Most likely, it is a different person that handles billing than reviews performance reports. As a general rule, the same person should not be responsible for the delivery of project activities, the completion of reports and billing activities. Each process touches on important indicators of grant success. The grantee should work out how to coordinate the flow of grant information related to oversight. Similarly, the sponsor organization should make clear who is responsible for gathering, maintaining, and sharing data and documentation with the grantee. The grantee and sponsor should both be clear about how information will flow between them and who will be responsible for producing and reviewing it.

Monitoring Schedule

An organized plan will include arrangements for when both remote and planned on-site monitoring will take place. A grantee should have a firm schedule for the tasks connected to remote monitoring, including the processing of billing and the receipt and review of performance reports. An on-site review process could be based on a set cycle over a multi-year period, covering one-third of a grantee's sites every year over a three year cycle, for example. The sponsor's grant agreement should reflect this schedule. A grantee will need to be prepared to document for HUD that it performs regular and adequate sponsor monitoring and oversight. Having a written monitoring schedule based on risk assessment will help a grantee demonstrate this to HUD.

Monitoring Follow-up

Finally, a grantee should develop a process and timeline for communicating feedback and for responding to results with a sponsor. It should also track and document the sponsor's responses, focusing on the completion of follow-up tasks. Follow-up communications to site visits should detail the results of the monitoring visit, including any alerts, concerns, or findings that might require additional information or remedies on the sponsor's part. Where needed, follow-up should

also include a corrective action plan, including timelines and the identification of responsible parties.

Conducting a Site Visit

On-site monitoring is the most comprehensive form of monitoring, short of a full program or agency audit. Since grantee oversight responsibilities cover all aspects of a program's operations, a site visit should be organized and planned in advance, in order to make the most of the process. Here are some basic steps for a productive visit:

1. Perform a risk analysis or project evaluation, in order to identify specific areas of concern to focus on at the site visit.
2. Schedule the visit and send a detailed notice to the sponsor about the visit, giving them adequate time to prepare. The notice should include:
 - Date, time, and location
 - Names of participating grantee and sponsor staff persons
 - Activities and functions to be monitored
 - Required materials (e.g., financial records, sample participant files)
 - Required resources (e.g., conference room, internet access)
3. Prepare for the site visit by reviewing:
 - The grant agreement
 - Ongoing monitoring data (e.g., performance reports, financial documentation)
 - Guidance related to HOPWA programs
 - Community and participant feedback
 - Prior project site visit reports
 - HOPWA confidentiality requirements
4. Confirm site visit details with the sponsor.
5. Bring:
 - A copy of this guide
 - Checklists relevant for the specific areas to be monitored
 - A copy of the HOPWA regulations
 - Copies of the recent reports submitted by the sponsor
 - Copies of recent invoices and documentation
 - A copy of the agreement with the sponsor
6. Evaluate the sponsor through:

- File reviews (program participant files and financial records)
 - Interviews with staff persons
 - The review of reported performance data
7. Communicate with the sponsor agency staff throughout the process, in order to address or clarify questions or concerns ‘on the spot.’
 8. Document the responses to monitoring questions, using the tools in this guide.
 9. Determine if identified concerns are isolated or are signs of problems or bigger management issues.
 10. Identify areas of strong performance, in order to affirm good practices.
 11. Conduct an exit review with agency staff to conclude the visit, sharing preliminary concerns and areas for additional clarification, follow-up, and technical assistance.
 12. Compile the results of the review and send them to the sponsor in a timely manner, including clarifying questions and any alerts, concerns, or findings that must be addressed in a corrective action plan. This would include action steps and timelines.
 13. Save written documentation of all of these steps for reference, to document monitoring activities to HUD and to inform future monitoring.
 14. Track corrective actions after the visit, offering technical assistance to the sponsor if needed.

Selecting Administrative and Participant Files For Review

For on-site monitoring, the grantee will need to review both participant and administrative files. Based on oversight objectives for a particular sponsor, determine which files a monitor will need to review. In selecting files for review, consider the following factors:

- Where possible, use a random selection method for the initial selection of files.
- The reviewer should consider adding more files to this selection in order to:
 - Include a file or files from each staff person working in the respective program area being monitored.
 - Expand the sample, if possible, to include additional files with the same characteristics, if indicated by the severity or nature of any problems

noted during the initial selection's review (for example, files from the same problem category, same staff person, or same activities). This expanded sampling helps determine whether problems are isolated events or a larger problem.

Participant File Review and Confidentiality

Protecting private information and maintaining participant confidentiality is a very important component of the oversight process.

The grantee is responsible for ensuring that all activities carried out by project sponsors comply with federal standards and regulations and the grant agreement. The review of participant files to verify eligibility, housing planning, and other information is an important part of on-site review. In order to connect eligible participants with other activities, such as rent payments for eligible participants, a reviewer will need to see information that identifies the participant. Thus, it will be necessary for the sponsor to make participant files available to the grantee upon request.

Selecting Participant Files for Review

When conducting a site visit, the grantee should communicate a method to the sponsor for selecting and reviewing participant files, so that the sponsor can be prepared.

When possible, file selection should be random. Consider selecting files for participants working with each HOPWA-funded staff person and from each of the various funded program areas or activities. If problems are found during file review, such as missing documentation, expand the number of files reviewed in order to determine if a problem is isolated or systematic.

As in other areas involving sensitive or protected participant information, questions should only be asked and recorded when a program or project has adequate data confidentiality protections in place. Indeed, monitoring a sponsor's confidentiality practices is part of the grantee's responsibility.

Care should be taken when reviewing participant records, in order to ensure the security of participant data.

Do not photocopy and transfer participant records off-site.

Use codes to refer to specific participant records in monitoring communications.

Supply the sponsor with a letter in advance detailing the grantee's file review protocols.

However, the monitor should take great care to limit this review, in order to safeguard confidential information. The grantee can take a number of steps to safeguard confidentiality during the monitoring process.

First, the grantee should establish its own procedure for reviewing participant files and maintaining adequate confidentiality during this process. These procedures should be written and shared with sponsors as part of the grant process. Grantees should make sure that both their staff and sponsor staff persons are adequately trained regarding the protection of participant confidentiality. The project sponsor should obtain consent from program participants allowing a representative of the grantee to review documentation related to them for monitoring purposes. This consent can be incorporated directly into the sponsor's standard program consent to release information form or it can be obtained through a separate release specifically for this purpose. Consent should explicitly indicate permission for the viewing of their information by the grantee, stating that this information will include household composition, HIV status, income information and related case content. A release should clarify which entity (organization, state agency, municipal department) the monitor represents.

During a site visit, the monitor should try to prevent accidental disclosure of confidential information. Review and discuss files in a private setting. Do not leave files unattended. In some cases, such as a file with missing information, it will be necessary to track and record identified problems. However, the monitor's records should identify problems with participant records without reference to the participant's name. For tracking purposes, the grantee can assign a code to specific files, such as "File A = Joseph A. Smith." The key reference list for these codes should be held by the sponsor, to be used in connection with the site visit report and any follow-up communications. The grantee's own notes, monitoring report, and follow-up communications should refer to a particular participant's file only in code, avoiding use of the participant's name. In general, before the site visit in its contact letter, the grantee should affirm that it will protect participant privacy.

As follow-up to a site visit, the grantee may request additional documentation from the sponsor. The grantee should take great care in the transmission of this information by post, email, or fax, as it may contain identifying information. Mail, email, and faxes can easily be received and viewed by persons other than an authorized representative of the grantee. Even rent payment invoices, for example, may contain identifying information regarding participants. Documents should have all

identifying information removed from them, if it is not essential to the reviewer.

Avoid faxing material with identifying information. The grantee can mail documents containing identifying information via restricted delivery post or send it via courier, requiring the signature of a particular authorized recipient. The grantee should store such documents in a secured location. Once the grantee finalizes its findings, it should destroy sensitive documents.

With an oversight plan in place that takes into account the scope of the grantee's responsibilities, we can begin looking at how to approach specific oversight topics.

Appendix 1: Risk Analysis Tool

Risk Analysis Tool				
Factor	Factor Priority	Factor Score	Sponsor's Rating	Comments
I. FINANCIAL				
A. Total grant award amount¹:				
i. Over \$225,000	HIGH	5		
ii. \$75,000–\$224,999	MED	3		
iii. \$74,999 or less	LOW	1		
B. Audit				
i. An A-133 audit due for the most recently completed reporting period or any previous reporting period within the three most recent program years has not been submitted to the grantee OR a sponsor has open findings from an audit and is overdue in carrying out corrective actions.	HIGH	5		
ii. An A-133 audit has been submitted to the grantee for the most recently completed reporting period as well as the last three program years have been submitted AND the sponsor is on schedule for carrying out corrective actions identified in current or former audits.	MED	3		

¹Grantees may adjust these amounts as appropriate in relation to the overall size of their formula or competitive grant and the sizes of their grants to sponsors. The point is to distribute risk according to the relative sizes of HOPWA contracts overseen by the grantee.

Factor	Factor Priority	Factor Score	Sponsor's Rating	
iii. A-133 audits are up to date, financial management performance is satisfactory, and any previous corrective actions have been completed as of the date of this review OR the sponsor's audit reports for the three most recently completed program years have indicated no findings.	LOW	1		
C. Timely Expenditures				
i. A sponsor's performance has been untimely in the expenditure of funds in accordance with program requirements, grant agreements, or any amendments; OR a prior problem of this nature has not been resolved as of the date of this assessment.	HIGH	5		
ii. A sponsor is now performing adequately under the grantee's requirement to correct an identified problem; OR the matter is minor in nature and it is likely to be corrected following a grantee request.	MED	3		
iii. A sponsor's performance is satisfactory AND any prior problem was corrected AND there are no known financial problems as of the date of this assessment.	LOW	1		

Factor	Factor Priority	Factor Score	Sponsor's Rating	Comments
D. Financial Compliance				
<p>i. During the most recently completed program year, staff has demonstrated difficulty in the financial management responsibilities for the program, as evidenced through one or more violation(s) of regulations or deficiencies of OMB Circulars or similar requirements as set by the grantee; OR there are one or more vacancies for key financial management staff of the program that have existed for more than six months ('key financial management staff' is defined as staff with direct oversight of financial records and/or distribution of program funds).</p>	HIGH	5		
<p>ii. Although no substantial violations of regulations have been identified as specified in (i) above, one or more vacancies for key financial staff vacancies have existed for the past 3 to 6 months; OR key financial staff have been hired in the past program year and have not received financial management training in this type of HUD-funded program.</p>	MED	3		
<p>iii. No financial management deficiencies have been identified as evidenced through violations or findings; AND any key financial staff vacancies have existed for less than three months; AND any key staff hired in the past program year have received formal financial management training.</p>	LOW	1		

Factor	Factor Priority	Factor Score	Sponsor's Rating	Comments
II. PHYSICAL				
A. Physical Assets-Asset Management				
i. A problem or finding that has been identified in the acquisition, development, maintenance or operation of a HOPWA-funded physical asset that has not been resolved as of the date of this review; OR the physical asset has not been monitored within the most recent three program years.	HIGH	5		
ii. A problem or finding with the acquisition, development, maintenance, or operation of the physical asset is currently subject to corrective action pursuant to a grantee-approved schedule or plan.	MED	3		
iii. The acquisition, development, maintenance, and operation of the physical asset is satisfactory; OR any previously identified problem has been corrected; AND no other problems with the physical asset have been identified.	LOW	1		
iv. No HUD funds are used in the acquisition, development, maintenance, or operation of a physical asset.	NONE	0		
B. Acquisition, Construction and Rehabilitation of Physical Assets				
i. HUD funds were used for the acquisition or construction or rehabilitation of 12 or more units of a physical asset during the operating year.	HIGH	5		

Factor	Factor Priority	Factor Score	Sponsor's Rating	Comments
ii. HUD funds were used for the acquisition, construction, or rehabilitation of 11 or less units of a physical asset during the operating year.	MED	3		
iii. No HUD funds were used for the acquisition, construction, or any rehabilitation of a physical asset, excluding maintenance or repairs.	LOW	1		
C. Multiple Sites for Physical Management				
i. HUD funds are used for the acquisition, development, maintenance, lease, or operation of physical assets at more than 1 facility site during the grant term.	HIGH	5		
ii. HUD funds are used for the acquisition, development, maintenance, lease, or operation of physical assets at 1 facility site.	MED	3		
iii. HUD funds are used exclusively to support activities not related to the acquisition, development, maintenance, lease, or operation of a physical asset such as any of the following: supportive services, tenant-based rental assistance, leasing of individual units, etc.	LOW	1		

Factor	Factor Priority	Factor Score	Sponsor's Rating	Comments
D. Housing Activities				
i. Sponsor provides at least 2 types of HOPWA housing assistance (Tenant- or Facility-based assistance and/or Short-Term Rent, Mortgage, and Utilities Assistance).	HIGH	5		
ii. Sponsor provides 1 type of HOPWA housing assistance.	MED	3		
iii. Sponsor is not providing any HOPWA housing assistance.	LOW	1		
III. PROGRAM MANAGEMENT				
A. Staff Capacity				
i. During the most recent program year, staff has demonstrated an inability to administer this program as evidenced through one or more violations of regulations or monitoring findings related to this program that the sponsor has failed to resolve within the last six months; OR there are one or more key staff vacancies that have existed for more than six months. (Key staff is defined as staff with assigned management and administrative responsibilities for program compliance with rules and regulations).	HIGH	20		

Factor	Factor Priority	Factor Score	Sponsor's Rating	Comments
ii. No violations of regulations have been identified as specified in (i) above AND one or more vacancies for key staff have existed for the past 3 to 6 months; OR key staff have been hired in the past program year and have not received training in this program.	MED	10		
iii. No program deficiencies have been identified as evidenced through violations or findings as indicated in (i) above, AND any key staff vacancies for the program have existed for less than three months, AND any key staff hired in the past program year have received training in this program.	LOW	1		
B. On-site Monitoring				
i. The grantee has not conducted an on-site monitoring of the sponsor's program within the last two program years; OR there are one or more overdue open findings.	HIGH	10		
ii. The grantee has conducted an on-site monitoring of the sponsor's program within the last two program years, AND if any findings were identified they were resolved OR there are open findings that are not overdue.	MED	5		
iii. The grantee has conducted an on-site monitoring of the sponsor's program within the last two years AND no findings were identified.	LOW	1		

Factor	Factor Priority	Factor Score	Sponsor's Rating	Comments
C. Timely and Accurate Submissions				
i. One or more of the sponsor's required submissions are incomplete OR are received 30 days or more after prescribed timeframes. This includes: annual (or other scheduled) performance reports, invoices, and documentation.	HIGH	5		
ii. While all documents indicated in above are current and up-to-date for the most recent program year, in the three most recent program years, at least one of the submissions has not been received within the prescribed timeframe OR was incomplete.	MED	3		
iii. All sponsor's required submissions are complete AND have been received by the grantee within required timeframes for the three most recent program years.	LOW	1		
D. Environmental/Relocation				
i. The sponsor has not demonstrated a record of program compliance OR currently has known compliance problems with either Environmental (Part 50 or 58), or Uniform Relocation Acquisition Act requirements.	HIGH	5		
ii. The sponsor has demonstrated a record of program compliance OR has no known compliance problems with either Environmental (Part 50 or 58), or Uniform Relocation Acquisition Act requirements.	MED	3		

Factor	Factor Priority	Factor Score	Sponsor's Rating	Comments
iii. The sponsor has not used HOPWA funds for the acquisition, development, maintenance, lease, or operation of a facility during the most recent program year.	LOW	0		
IV. SATISFACTION				
A. Citizen/Participant Complaints				
i. Citizen or participant complaints have been received during the most recently completed program year through such sources as: citizen letters, phone calls, other providers, newspaper articles, etc., AND when considering the sponsor's response, result in violations of program regulations or findings.	HIGH	5		
ii. Citizen or participant complaints have been received during the most recently completed program year through such sources as: citizen letters, phone calls, other providers, newspaper articles, etc., AND considering the sponsor's response, have not been found in violation of program regulations but there are concerns that could lead to future violations if not addressed by the sponsor.	MED	3		
iii. No valid complaints have been received during the most recently completed program year as described in (i) or (ii) above.	LOW	1		

Factor	Factor Priority	Factor Score	Sponsor's Rating	Comments
V. SERVICES				
A. Meeting Program Objectives				
i. Proposed activities to be carried out by the sponsor have not been on schedule during the most recently completed program year; OR activities that are being carried out do not address the intended beneficiaries, sub-populations, or needs of this program.	HIGH	5		
ii. Proposed activities to be carried out by the sponsor are on schedule for the most recently completed program year, however, in the three most recent program years the sponsor has not been on schedule at least once AND the sponsor has submitted a revised timetable to come into compliance.	MED	3		
iii. Proposed activities to be carried out by sponsors have been carried out with no known problems, have been on schedule and address the beneficiaries, sub-populations, or needs of this program for the three most recent program years or since grant execution if less than three program years.	LOW	1		
B. Multiple Programs				
i. The sponsor carries out multiple programs, which involve one or more funding sources.	HIGH	5		

Factor	Factor Priority	Factor Score	Sponsor's Rating	Comments
ii. The sponsor carries out only one program, which involves one or more funding sources.	MED	3		
iii. The sponsor carries out only one program, which involves only one funding source.	LOW	1		

Overall Risk Assessment - Total Score		
Factor	Maximum Score	Points Assigned
1. Financial	25	
2. Physical	15	
3. Management	40	
4. Satisfaction	5	
5. Services	15	
6. Total	100	

Appendix 2: Remote Monitoring Schedule

Remote Monitoring of HOPWA Projects: Schedule		
Fiscal Year:		
Activity	Frequency of Review	Responsible Grantee Staff
Receipt and Review of Billing and Documentation		
Line Item Review: Eligibility & Conformance with Grant		
Pace of Draw-Down		
Receipt of Performance Data		
Review of Performance Data		
Verification of Performance Data		
Other		
Other		

Appendix 3: Remote Monitoring Checklist

Ongoing Monitoring of HOPWA Projects: Checklist			
Fiscal Year:		Sponsor:	
Review Date:		Project:	
Completed By:			
Activity	Monitoring Question		Notes
Receipt of Billing	Were invoices received in a timely manner, per grant agreement?	YES	
		NO	
Receipt of Documentation	Did invoices include adequate documentation?	YES	
		NO	
Line Item Review: Approved Costs	Were the costs invoiced for activities approved in the grant agreement?	YES	
		NO	
Line Item Review: Budget	Were the costs invoiced within the planned budget for each line item?	YES	
		NO	
Pace of Draw-Down	Is the overall current pace of spending in line with planned pace?	YES	
		NO	
Receipt of Performance Data	Was performance data submitted in a timely manner, per grant agreement?	YES	
		NO	

Activity	Monitoring Question		Notes
Review of Performance Data: Adequacy	Was performance data adequate—complete and in the proper format?	YES	
		NO	
Review of Performance Data: Indicators	Does the performance data indicate any significant variation from planned outputs and outcomes?	YES	
		NO	
Community Feedback	Has any negative information been received from the community regarding the project?	YES	
		NO	
Responses in bold may indicate need for follow-up or on-site monitoring.			

Appendix 5: Site Visit Checklist

Site Visit Checklist	
Project Sponsor:	
Project Name:	
Site Visit Date:	Date of Last Visit:
Grantee Monitor:	
Sponsor Staff and Roles:	
Elements for Review	
<i>Program-Wide Elements</i> Grant Balances, Documentation of Activities, Time Records, Eligibility Documentation, Housing Assessments, Policies and Procedures, Reporting and Data Collection, Code of Conduct	YES
	NO
<i>Rental Assistance</i> Rent Calculation, Recertification, Rent Standards, Housing Quality Standards, Leases, IRS reporting	YES
	NO
<i>Short-Term Rent, Mortgage and Utilities Assistance</i> Documentation of Need, Time Limit Policies, Housing Plans, IRS reporting	YES
	NO
<i>Facility-Based Projects</i> Rehab, Housing Standards, Certifications, Rent Calculation and Fees, Short-term Housing	YES
	NO
<i>Supportive Services</i> Eligible Activities, Tracking of Services, Health Care Compliance, Permanent Housing Placement	YES
	NO
<i>Financial Systems and Controls</i> Accounts Match Grant Activities, Internal Controls, Separation of Duties, Financial Policies, Conflict of Interest	YES
	NO

Elements for Review	
<i>Audits</i> Verification and Review of Audit Reports, Resolution of Findings	YES
	NO
<i>Financial Records and Documentation</i> Staff Time Tracking, Allocation of Costs, Cost Allowability, Source Documentation	YES
	NO
<i>Procurement and Equipment</i> Procurement Documentation, Subcontract Oversight, Equipment Records	YES
	NO

Basic Oversight Elements

This chapter focuses on the monitoring of basic HOPWA grant management elements that apply to every HOPWA project regardless of the type of HOPWA-funded assistance provided. A checklist to help organize program-wide monitoring is included at the end of this chapter. The items in this chapter cut across all types of HOPWA activities and focus on administrative issues.

In this chapter, we will be looking at these general program areas:

- Administrative requirements are met regarding the tracking of grant balances and unexpended funds, use of written agreements, and activities performed by faith-based organizations;
- Project activities are conducted as described in the grant agreement, in conformance with HOPWA regulations and are supported by adequate documentation;
- Basic policies and procedures are in place;
- Performance and outcomes are adequately tracked and reported; and
- Other federal requirements such as fair housing guidelines and conflict of interest standards are met.

Document, Document, Document... And Then Organize!

Adequate documentation can be a problem for HOPWA sponsors. Are your case files and records complete and organized? Are records secure and confidentiality protected? Are staff trained on organizing and securing records? Participant case files should contain required forms as well as a section for the housing plan and case notes regarding participant interaction, planning, goals and objectives. Housing assessments, plans, and case notes tell a story and provide documentation for HOPWA reporting and billing requirements. Use a uniform format for organizing files. Include a participant file checklist in each file, in order to keep track of documents and forms.

Chapter Organization

Key monitoring elements:

- ✱ Balance of grant funds
- ✱ Eligibility and household composition
- ✱ Housing assessments and plans
- ✱ Policies and procedure: confidentiality, participant termination, conflict of interest
- ✱ Reporting of performance and outcomes

Other monitoring elements:

- Written agreements
- Equal access of faith-based organizations
- Fair housing and equal opportunity
- Record retention

Data sources will include: billing and financial records, organization and program policies and procedures, and participant files and records.

SECTION 1: GRANT BASICS

Balances of Grants, Including Unexpended Funds

Is the sponsor drawing down funds at an appropriate pace, based on approved grant activities and the anticipated implementation schedule?

Discussion

A sponsor's draw down of funds connects directly to a project's budget, schedule for delivery, and scope of approved activities. The pace of spending is a key indicator of project progress over the term of the contract or agreement. The purpose of

monitoring grant expenditures and balances is to ensure that project outputs are being achieved (i.e., participants are being served) and to identify barriers that might be in a project's way.

Prior to the site visit, the monitor should review financial and/or program records such as year-to-date billing. Look at the historical rate of expenditure by program activity and examine grant balances, including any unexpended funds. (As we will discuss in Chapter 9, the grantee and the sponsor should both track unexpended grant amounts as part of their financial record keeping.) The grantee can review spend down rates and unexpended funds remotely. Spending rates that seem too slow or too quick or erratic rates of spending may indicate problems with the sponsor's project or financial management.

Grantees should monitor a sponsor's spending on particular budget line items in order to have a sense of where a sponsor is having trouble. Explore irregularities noted in the pace of billing with the sponsor during the site visit or simply through routine communication. Slow spending rates may not necessarily indicate a problem. Staff vacancies or changes in the housing market may affect a project's spending rate. A new or changed project may not show a regular pattern of expenditure, as the new activities get off the ground. Discussing spending problems with a sponsor can help identify technical assistance needs. Grantees should also review and consider their own practice in assisting the sponsors with program management, e.g., by providing training, reviewing procedures, and offering technical assistance.

In a worst-case scenario, the grantee may need to consider recapturing and re-allocating unexpended sponsor funds. Formula and competitive grantees each have 3 years to expend obligated funds. HUD can recapture or retain unexpended funds, so it is important that the grantee remain aware of sponsor progress in spending and not just react to unspent monies in the final months of a grant. If approved by HUD with justification for a grant amendment, a grantee can re-allocate unexpended funds into a new operating year or can redistribute the funds to other sponsors. For formula grantees, the reallocation of funds should conform to the HOPWA activities and objectives described in their Consolidated Plan. For competitive grantees, reallocations should conform with the activities and objectives approved in their original grant agreement with HUD. The grantee should develop standards for how it handles unexpended funds.

Monitoring Procedure

Remote monitoring: Monitor the sponsor's rate of spending and unexpended fund balance through ongoing billing records. Identify and watch spending on particular line items, such as housing assistance, that may be of concern. Follow up areas of concern with questions to the sponsor about possible causes. Consider conducting a site visit.

On-site monitoring: Review current and historical financial reports in the context of the approved project budget and scope of service for the grantee. Focus on particular activities of concern, such as housing assistance. Determine whether the rate of spending and unexpended grant funds are within expectations. If not, discuss possible causes and solutions with the sponsor.

Written Agreements Between Sponsors and Sub-recipients or Contractors

Are adequate and executed written agreements with organizations selected or designated as sub-recipients, contractors and/or collaborators in place, in order to ensure that the organizations comply with HOPWA program requirements?

Discussion

In some cases, the sponsor may enter into agreements with another organization for paid or leveraged services. The sponsor might also employ a consultant for services using HOPWA funds. If so, the sponsor should have written agreements with these third parties in place. Written agreements between the sponsor and any sub-recipients should set the terms for spending HOPWA funds, specify the activities that will be undertaken, and describe how performance will be measured. These written grant agreements can take the form of a Memorandum of Agreement (MOA), a subcontract, or a grant agreement. The agreement lays out the project goals and the scope of work. This is the foundation for future monitoring and performance measurement.

Grant agreements should clarify the scope of services, the billing process, required documentation and reporting procedures, performance measurements, and relevant regulatory requirements. According to 24 CFR 574.500, grant agree-

ments must ensure that HOPWA project sponsors will:

1. Operate the program in accordance with the provisions of HOPWA regulations and other applicable HUD regulations;
2. Conduct an ongoing assessment of the housing assistance and supportive services required by the participants in the program;
3. Assure the adequate provision of supportive services to the participants in the program; and
4. Comply with other terms and conditions, including recordkeeping (e.g., retaining records for 4 years) and reporting for program monitoring and evaluation purposes.

The sponsor's agreement with a sub-recipient who receives HOPWA funds from the sponsor should also address these items. For project collaborators who do not receive HOPWA funds but provide leveraged services to HOPWA participants, written agreements detailing responsibilities and obligations are good to have in place. Memoranda of Agreement (MOA's) should clearly define roles, duties, responsibilities and expectations among the various parties involved in a HOPWA project.

It is important to remember that grantees also have oversight and monitoring responsibilities for sub-recipients. Site visits to sub-recipients should be a part of the overall oversight process for the grantee.

Monitoring Procedure

On-site monitoring: If the sponsor does work with sub-recipients, the monitor should review program files to ensure that the written agreements are in place, contain the required language, and are fully executed, meaning that authorized persons at both organizations have dated and signed them.

SECTION 2: CLIENT BASICS

Eligibility and Household Composition Documentation

Do participant files contain documentation required to verify program eligibility?



Discussion

All participant files must contain documentation that verifies the participants' eligibility to receive HOPWA assistance. Low-income people living with Human Immunodeficiency Virus (HIV) disease or an Acquired Immunodeficiency Syndrome (AIDS) diagnosis and their families are eligible to receive HOPWA assistance. Acceptable medical documentation of HIV status includes:

- A statement of HIV verification signed by a physician, certified health care worker, or HIV testing site representative;
- Social Security Administration records indicating the nature of a disability determination;
- Other relevant federal program records verifying HIV status.

Items Commonly Missing From Participant Files

- Adequate or up-to-date release of information forms
- HIV status verification
- Income eligibility for all household members
- Annual income updates
- Housing quality inspection forms (for tenant-based housing assistance); see Chapter 4
- Household rent calculation worksheets (for all types of long-term HOPWA housing assistance)
- Accurate tracking for the 21-week limit on short-term rent, mortgage or utilities (STRMU) assistance; see Chapter 5

It is very important to note that sponsors must have adequate releases of information from HOPWA participants that allow them to obtain and store HIV status

documentation. As part of a private medical record, such information is highly confidential and protected by state laws that govern HIV status information.

‘Low income’ means total household income of less than 80% of the median income for the area (Area Median Income or AMI), as defined by HUD. HUD AMI’s are calculated annually for individual localities and organized by number of persons in the household.¹ In calculating eligibility, take the income of the entire household into account, not just the income of the HOPWA eligible person. The number of persons living in the household applying for assistance must also be verified. A statement from the participant regarding household composition is acceptable documentation. Grantees may impose more stringent income eligibility criteria for their HOPWA programs, in order to meet local needs. For formula grantees, the need for such criteria should be described in their Consolidated Plan. Competitive grantees should include such criteria in their grant application and final grant agreement with HUD. In all cases, any policies that narrow eligibility for HOPWA assistance should be approved by HUD and its Office of Fair Housing and Equal Opportunity.

The sponsor should have income verification for all adult members of a household, as well as for minors who receive income. If an adult member of a household has no verifiable income, then the sponsor should have them sign and date a statement stating that they have no income.

HOPWA Eligibility

There are two basic elements of HOPWA eligibility:

- Household has a least one person who has Acquired Immunodeficiency Syndrome (AIDS) or related diseases (Human Immunodeficiency Virus, that is, HIV infection). This includes households where the only eligible person is a minor. Medical verification of status is required.
- Total household income is less than 80% of the Area Median Income (AMI), as defined by HUD.

HUD sets Median Income levels for communities across the country; these numbers vary significantly. This data can be found at <http://www.huduser.org/datasets/il.html>

¹Area Median Income charts can be found at <http://www.huduser.org/datasets/il.html>. For detailed information and online training material regarding how to calculate annual income, visit HUD’s website: <http://www.hud.gov/offices/cpd/affordablehousing/training/web/calculator/definitions/part5.cfm>.

Income documentation should reflect current income. There are no standards for what ‘current’ means but public housing authorities typically require that income statements be less than 90 days old, based on the date of when eligibility is determined. Eligibility should be verified annually, taking into account possible changes in household income.

To receive HOPWA housing assistance and supportive services, at least one family member must have HIV/AIDS and the household must income-qualify. The HOPWA-eligible person in any household can be a minor.² However, an adult with custodial authority must accompany the eligible minor. In such a case, the ‘head of household’ is the custodial adult. Anyone with HIV/AIDS and their family members, regardless of income, can receive HOPWA funded housing information services.

Monitoring Procedure

On-site monitoring: Check a sample of participant files for the income, household composition, and HIV-status eligibility documentation described above. Bring a copy of the current HUD Area Median Incomes for the geographic area served, and for the relevant time period covering the reviewed records, in order to verify that participants are income-qualified for services.

Housing Assessments/Plans

Do project sponsors conduct participant housing needs assessments, in order to direct the type of housing assistance provided from HOPWA or other sources?



Discussion

HUD’s main objective for the HOPWA program is that participants achieve greater housing stability by receiving HOPWA assistance. 24 CFR 574.500(b)(2) states that the grantee will ensure that each project sponsor agrees to “[c]onduct an ongoing assessment of the housing assistance and supportive services required by the participants in the program.” The housing assessment process includes gathering participant information about current finances, past rental history, be-

²See CPD Notice 06-07, FAQ question ‘m’:
<<http://www.hud.gov/offices/cpd/aidshousing/lawsregs/notices.cfm>>.

havioral history, and other service needs. The housing assessment is the foundation for the development of individualized housing and service plans. The sponsor should assess housing and supportive services needs at the point of intake or application and create plans for housing stability. The sponsor should update these plans at least annually.

Assessing Is the Key to Good Housing Plans

A good housing plan starts with good information. Helping someone get to housing stability can be a process that takes a few steps. Here are some basic things to look for in checking out household needs assessments and housing plans:

- Stability of current housing situation
- Recent housing or homelessness history
- Identification of causes of housing instability
- Identification of barriers to stability
- Individual service and housing plans that address barriers
- Progress tracking

The assessment of need and the development of housing plans help the provider and the participant work together to achieve greater housing stability. Housing assessments identify short and long-term barriers to housing stability and can help providers and participants decide which types of housing assistance will help a household become more stable. Does the household merely need temporary help? Then HOPWA short-term rent, mortgage, or utility (STRMU) assistance is the best fit. Is the household's need more long-term, such as not having enough income to

afford decent housing in their community? Then HOPWA or another form of tenant-based rental assistance might best help. Does the household or individual require intensive support in order to gain stability? Then a community residence might be the most appropriate solution. Regular use of housing assessments and plans is an important part of achieving good housing stability and access to care outcomes.

A housing plan should identify the household's ongoing housing stability needs and likely options for providing related assistance, including the use of other housing programs and mainstream health and human welfare programs. Using qualified staff, the sponsor should assess the client's housing needs and related resources, along with the reasons or causes of the housing need. The plan should

address budget and money management issues, for example, if the cause for housing debt is related to the household's poor money management practices, such as the use of credit cards or cash for non-essential items, or entertainment activities. The assessment should help determine how to best use short-term or transitional support to connect with ongoing permanent housing arrangements, including forms of supportive housing or more independent living arrangements reasonably associated with the assessment of the client's needs. Plans should establish the ongoing housing stability goals for clients in connection with their need to access medical treatment and supportive services associated with HIV/AIDS issues.

Monitoring Procedure

On-site monitoring: The monitor should review a sample of participant files. Each participant file should contain an individualized housing assessment with evidence of annual updates. The file should also contain an individualized housing and service plan.

SECTION 3: ORGANIZATION POLICIES AND PROCEDURES

Confidentiality Compliance

Does the sponsor have a written confidentiality policy and does the sponsor consistently follow the policy?



Discussion

The AIDS Housing Opportunity Act, the law that authorized the HOPWA program, requires that grantees and sponsors protect the privacy of recipients of HOPWA assistance. The HOPWA regulation that implements this requirement, 24 CFR 574.440, states:

The grantee shall agree, and shall ensure that each project sponsor agrees,

to ensure the confidentiality of the name of any individual assisted under this part and any other information regarding individuals receiving assistance.

Innovative Ways to Protect Confidentiality

- Incorporate a subsidiary organization with a generic name to handle housing payments to landlords or to mask the parent agency on any documentation sent to a landlord
- Create bank accounts with checks that do not list the sponsor's name, using a generic name such as 'Rental Assistance Program'
- Rent a P.O. Box for receiving mail related to housing assistance and for putting as an address on payments to property owners
- Use a dedicated phone number and line for dealing with property owners, answering it with a generic program name.

Grantees and project sponsors should use HIV status information only for verifying eligibility. HIV/AIDS status information, along with related personal participant eligibility documentation, should only be accessible to grantee and sponsor staff persons administering the HOPWA program.

To ensure the protection of privacy, sponsors and grantees must have written confidentiality policies and procedures in place. These policies will describe how they protect participant confidentiality. Project staff persons should receive training about confidentiality. Precautions may include, but are not limited to, maintaining paper files in locked cabinets accessible only by designated individuals, installing security software for electronic files, and the

use of release of information forms that meet state and federal consent requirements. Grantees should conduct periodic review of these procedures. A sponsor should gather private information only when adequate data confidentiality protections are in place.

The sponsor's confidentiality policy should, at a minimum, address:

- How staff will gather, record, and store confidential information;
- The consent process for the release of confidential information;
- Protocols for responding to breaches of confidentiality;
- Standards contained in relevant state and federal laws, including HIPAA compliance (if applicable), and HIV confidentiality statutes; and,

→ Privacy standards related to data collection and use of participant information for program reporting, such as HMIS.

It is also important that the organization not use any identifying information that could compromise a participant's confidentiality in communications regarding the HOPWA program. For example, checks to property owners, envelopes, letterhead, and other printed material should not contain any language that might indirectly disclose a participant's HIV status.

Protecting Privacy

In one state, a Public Housing Authority (PHA) administered the HOPWA Tenant-Based Rental Assistance (TBRA) program through its Housing Choice Voucher/Section 8 office. The HOPWA recipient files, including their HIV status, were stored along with Section 8 recipients (the system was alphabetical across TBRA programs). These files were available to all PHA staff. According to HOPWA regulations, a participant's confidentiality must be strictly maintained, with files only available to HOPWA program staff. This is not only a requirement, but will also serve to build trust with program recipients who may be hesitant about accepting support from PHAs and other organizations serving a broad range of people with varying special needs. The PHA took corrective action to ensure confidentiality, updating their file security practices and offering annual training on confidentiality to their staff.

If an organization's name on checks indicates that it is a provider of HIV/AIDS services, e.g., "AIDS Care Project," the provider should consider ways of masking this information. The sponsor might consider steps such as incorporating a separate entity under a generic name, (e.g., "Springfield Supportive Housing Program"), designating a separate phone line for payees to call in on, and setting up a bank account with a generic program name.

Monitoring Procedure

Remote monitoring: As the sponsor submits documentation to support invoices and performance reports, review for any information that identifies participants. If documentation contains identifying information, contact the sponsor immediately regarding potential breaches in confidentiality. The sponsor should avoid faxing or emailing identifying documents to the grantee and should instead mail them by regular post, addressed to the grant monitor specifically.

On-site monitoring: To monitor a sponsor’s compliance with confidentiality guidelines, review the sponsor’s written confidentiality policy, privacy standards for data systems, consent process, and staff training opportunities. Look at a sample of participant files, checking if they contain signed release forms. Examine materials used to communicate with landlords, i.e., checks, envelopes, letterhead, etc, checking for logos, agency names, or other information that may inadvertently disclose the participant’s HIV status to a third party.

Participant Termination Policy

Does the sponsor follow HUD requirements for the termination of participants from HOPWA assistance or services?



Discussion

It is important that sponsors have written termination procedures in place in order to protect the rights of the recipients of all HOPWA services. This includes long-term rental assistance and community residences. The sponsor should describe such procedures to participants at intake, having them sign a written copy of the procedure for participant files. As described in 24 CFR 574.310(e), HOPWA regulations require agencies to create a formal process for handling the termination of participants from HOPWA assistance. This includes policies for handling surviving family members, in the event of the death of a HOPWA-eligible person.

The regulation outlines the minimum requirements for the contents of the termination policy. The key point is ensuring the right to ‘due process.’ Grantees and sponsors must also guarantee that supportive services are available to participants, in order to avoid or prevent terminations. The sponsor should terminate a participant’s assistance only in ‘the most severe cases,’ as the regulation states.

Termination procedures should include the following elements:

- Written notice to the participant containing a clear statement of the reasons for termination;
- Opportunity for a participant to a review of the decision, allowing them to confront opposing witnesses, present written objections, and be represented by their own counsel or representative, before a person other than the person (or a subordinate of that person) who made or approved the termination

decision; and

→ Provide prompt written notification of the final decision to the participant.

If loss of HOPWA housing assistance might result in a participant's loss of occupancy rights, then tenant-landlord law may come into play. Tenant-landlord law is a matter of state and local laws. The application of those laws to supportive housing and especially to community residences or congregate housing can vary greatly from state to state, depending on local statutes and their application in court. However, the HOPWA regulations describe a framework of due process that must be met, regardless of local laws. HOPWA providers should consult legal counsel as to how prevailing tenant-landlord laws might affect their program.

The sponsor must also have a policy in place when termination of assistance is due to the death of the HOPWA-eligible participant and there are surviving family members. The organization should establish a reasonable grace period of continued assistance to surviving family members, not to exceed one year, measured from the date of death of the participant.

Monitoring Procedure

On-site monitoring: Review the sponsor's policy on terminations. If no written policy is available, interview program staff regarding how the sponsor handles participant grievances and terminations. Review participant files of any program beneficiaries that have been terminated during the time period being monitored, in order to verify that the termination policy was followed correctly. Verify that termination policies include grace periods in the event of death.

Conflict of Interest

Does the sponsor have a conflict of interest policy governing employees, officers, or agents engaged in the award and administration of contracts supported by grant funds, in compliance with HOPWA regulations?



Is there any evidence of conflicts of interest on the part of the sponsor, with regard to employees, officers or agents?

Discussion

According to 24 CFR 574.625, organizations should have policies in place that identify and handle potential conflicts of interest on the part of board members, staff persons, and other representatives of the organization, such as volunteers. Conflict of interest policies are often part of an organization's 'code of conduct' for board, staff, and volunteers. HUD regulations require that sponsors and grantees have adequate codes governing conflict of interest in place.

At a minimum, a sponsor's conflict of interest policy should:

- Prohibit the solicitation and acceptance of gifts or gratuities by officers, employees, and agents for their personal benefit in excess of minimal value;
- Prohibit employees, agents, consultants, or officers of the project sponsor from gaining a financial interest or benefit from an activity or having an interest in any contract during his or her tenure or for one year thereafter if they exercise responsibilities with respect to grant activities, are in a position to participate in a decision making process or are able to gain inside information with regard to such activities;
- Outline administrative and disciplinary actions available to remedy violations of such standards;
- Describe the method to be used to ensure that all officers, employees, and agents of the organization are aware of the Code of Conduct, such as a signed form that the person has reviewed and understood the organization's

conflict of interest policy; and

- Be written on company letterhead that provides a mailing address, authorized official name, and telephone number.

Conflict of interest can be an issue for non-profits in unexpected ways. Many community-based organizations and especially AIDS service organizations have policies that promote the participation of consumers in the management of the organization. This represents a potential conflict of interest for both the consumer and the organization. For example, suppose that a consumer who receives services from the sponsor is also a member of that organization's board of directors. The board, in turn, is responsible for setting policy and supervising the Executive Director. This puts the consumer in a position of policy direction and staff supervision in relation to services from which he or she might benefit directly. This may represent a conflict of interest. Similarly, many organizations recruit consumers both as volunteers and as paid staff members.

HUD takes conflicts of interest seriously and HOPWA sponsors should approach potential conflicts with caution. Typically, independent auditors of a sponsor's finances review an organization's policies and activities for potential conflicts of interest. The board and program staff should identify potential conflicts of interest. The board of directors should review these conflicts, using the organization's own procedure for addressing conflicts of interest. HOPWA regulations also describe means by which a grantee or sponsor can request an exception to prohibitions against conflicts of interest. This process is described in 24 CFR 574.625 and involves the request of a waiver from HUD based on the particulars of a situation.

Monitoring Procedure

Remote monitoring: Before entering into an agreement with a sponsor, the grantee should confirm that the sponsor has adequate conflict of interest policies and procedures in place, according to the criteria above.

On-site monitoring: The monitor should ask the sponsor's chief administrative officer for a copy of the organization's conflict of interest policy and review the policy and related documents to ensure that they meet the criteria described above. Ask the sponsor how conflicts of interest are identified and addressed

Faith-based Organizations

Are faith-based organizations provided equal access to HOPWA resources? If a sponsor or sub-recipient is a primarily religious organization, are HOPWA activities clearly separated from and free of the religious influences of the organization?

Discussion

For this question, there are two primary reference points: Executive Order 13279 (issued on December 12, 2002) and 24 CFR 574.300(c), which implemented the Executive Order within HOPWA regulations.³ The Executive Order established fundamental principles and policymaking criteria to guide federal agencies in formulating and developing policies related to faith-based and community organizations. A primarily religious organization can provide all forms of HOPWA assistance as a project sponsor or sub-recipient if it agrees to provide all eligible activities in a manner that is free from religious influences and in accordance with principles outlined in 24 CFR 574.300(c) and the Final Rule. Both are summarized here:

- The organization's program eligibility or application criteria do not discriminate or give preferences to persons based on religion.
- Outreach, contracting, and training activities demonstrate equal participation of religious organizations in HUD programs and activities.
- During the provision of eligible HOPWA activities, the organization does not provide religious instruction or counseling, conduct religious services or worship, engage in religious proselytizing, or exert other religious influence. This does not prohibit the organization from providing such activities separate from HOPWA activities. Participation in such religious activities must not be mandatory for the receipt of HOPWA services.
- The organization can provide HOPWA activities and services in facilities and at locations used for inherently religious purposes and are not required to remove religious art, icons, scriptures, or other religious symbols from the facility or location.

³Additional information is available at <<http://www.fbc.gov/>>.

→ HUD funds may not be used for the acquisition, construction, or rehabilitation of structures to the extent that those structures are used for inherently religious activities. HUD funds may be used for the acquisition, construction, or rehabilitation of structures only to the extent that those structures are used for conducting eligible activities under a HUD program or activity. HUD funds may not exceed the cost of those portions of the acquisition, construction, or rehabilitation that are attributable to eligible activities in accordance with the cost accounting requirements applicable to the HUD program or activity. Sanctuaries, chapels, and other rooms that a HUD-funded religious congregation uses as its principal place of worship, however, are ineligible for HUD-funded improvements.

Monitoring Procedure

Remote monitoring: Before entering into agreement with a faith-based sponsor, the grantee should make sure that all HOPWA-funded activities to be provided will be free from religious influences as described. When HOPWA funds are being used for the construction, acquisition, or rehabilitation of property, the grantee should verify that the facility is not to be used for religious purposes (separate from the HOPWA project). If the facility is used for religious purposes, HOPWA and other federal contributions to costs should be allocated in a proportional manner based on use for eligible HOPWA activities.

On-site monitoring: This regulation will come in to play most frequently with congregate living facilities and when a primarily religious organization has used HOPWA funds for capital development. If a religious organization is involved as a project sponsor or sub-recipient (in any HOPWA activity), the monitor should:

- Interview the program director and review the components of 24 CFR 574.300(c) and the Final Rule regarding faith-based institutions with them to ensure organizational understanding and compliance;
- Review documents related to organization policies and procedures to ensure compliance with the regulations; and
- Review a sample of participant files to ensure that HOPWA program applications and other related paperwork complies with the regulations.

If a primarily religious organization has used HOPWA funds for the acquisition, construction, or rehabilitation of property, review project files to verify that HOPWA

and other federal monies were used only to the extent that the structure is used for conducting eligible activities under a HUD program or activity.

Fair Housing and Equal Opportunity

Are the project sponsor's policies, procedures, and program implementation in compliance with Fair Housing and affirmative outreach requirements?

Discussion

HOPWA sponsors and their activities must comply with all federal laws, executive orders, and regulations pertaining to fair housing and equal opportunity, and must take measures to ensure non-discriminatory treatment, outreach, and access to program resources.

The Americans with Disabilities Act (ADA) (and implementing regulations at 28 CFR 35 for states and local government grantees or 36 for non-profits) ensures the access of disabled persons to 'public accommodations,' covering 'the goods, services, facilities, privileges, advantages, or accommodations of any place of public accommodation.' For the purposes of HOPWA programs, the ADA covers the participation in HOPWA services and the sites where services are provided. The ADA addresses both physical and administrative barriers to access. Most people are familiar with physical access issues (e.g., wheelchair access, providing TTY phone service for hearing-impaired individuals). Administrative barriers are also important and can include eligibility policies that might screen out persons based upon a disability, including mental illness, drug addiction (though not current use of illegal substances) and alcoholism (whether alcohol use was in the past or present). Such restrictions may be illegal under the ADA, unless they are 'necessary' to the provision of the goods, services, or facility in question.

The Fair Housing Act of 1988 (and implementing regulations at 24 CFR 100) addresses discrimination related to the sale or rental of dwellings. The Act prohibits discrimination based upon race, color, religion, sex, handicap, familial status, or national origin. As with the ADA's definition of disability, the Fair Housing Act's definition of handicap includes mental illness, drug addiction (though not current

use of illegal substances) and alcoholism. Sponsors will need to be aware of both physical and administrative barriers to their housing resources. The Fair Housing Act also covers a housing program's screening procedures.

The Act's regulations specifically prohibit inquiries regarding the 'nature or severity' of an applicant's handicap. Providers of HOPWA housing assistance should avoid inquiring about a potential participant's disabilities or handicaps, unless required for specific eligibility determination (e.g., verifying HIV status for a HOPWA program). Providers of HOPWA housing assistance should act with caution in gathering participant information related to covered disabilities or handicaps during their housing program's screening or participant selection process. Though it limits what information a provider can gather about a person's disabilities, the Act does allow a provider or property owner to ask other questions for the following purposes:

- For determining if someone will be able to meet the terms of their tenancy or participation;
- For determining if they are currently using illegal substances, if they have been convicted of the manufacture or distribution of a controlled substance; and
- For determining generally whether they would represent a threat to the health or safety of other tenants or residents.

Both the Americans with Disabilities and Fair Housing Acts also require that providers of public accommodations and housing offer disabled or handicapped persons 'reasonable accommodations.' This means that providers may need to make either physical or administrative exceptions in how they operate based upon a participant's particular disability. This could mean changing a policy or altering a physical space. In designing the physical and administrative aspects of their programs and housing, providers should keep in mind the variety of disabilities covered by both Acts, as well as the other protected categories covered by the Fair Housing Act. For both the Americans with Disabilities Act and the Fair Housing Act, grantees and sponsors should consult the HUD regulations that implement them for more detail regarding their scope and specific provisions. Projects providing rental assistance can refer to guidance for the Housing Choice Voucher Program at 24 CFR 83.306(d). Sponsors and grantees should make effort, to follow these requirements to the degree practicable. The 'Frequently Asked Questions' attachment to HUD Notice 06-07 (question 'g') also provides guidance regarding the

renting of a unit from a family member as a possible reasonable accommodation for a disability.⁴

Project sponsors should have ‘affirmative outreach’ procedures, per 24 CFR 574.603. This will help ensure that all persons who qualify for assistance, regardless of their race, color, religion, sex, age, national origin, familial status, or handicap know of the availability of the HOPWA program and local HOPWA resources.

In general, HUD does not allow its program resources to be used for projects that narrowly target eligibility. If a HOPWA sponsor’s project targets assistance to households with particular needs, such practices should first be cleared with HUD through a fair housing review. HUD should also review eligibility guidelines and similar written policies and procedures that may limit access to HOPWA resources for compliance with fair housing requirements.

As with many matters related to state or federal fair housing laws, grantees and sponsors should consult legal counsel. Counsel can help them understand the application of laws and regulations to their particular program. Projects targeting assistance to persons with greater needs should clear written procedures with HUD for a fair housing review, prior to implementation. This will help ensure compliance with fair housing requirements.

Monitoring Procedure

Remote monitoring: The grantee should include certifications regarding compliance with these Acts and related regulations in their grant-making process. Both the sponsor and the grantee should maintain such certifications.

On-site monitoring: Discuss fair housing and affirmative marketing requirements with the sponsor. Review a program’s policies and procedures regarding eligibility and screening for affirmative equal opportunity statements and possible Fair Housing or ADA breaches, as well as for policies affirming the accommodation of disabilities. Review the sponsor’s marketing plan for clear outreach to diverse communities in their service area.

⁴This notice can be found at <<http://www.hud.gov/offices/cpd/lawsregs/notices/2006/>>.

Record Retention

Does the sponsor have a plan in place to maintain program and related financial records for a four-year period after the end of the grant agreement?

Discussion

Each sponsor must maintain all HOPWA-related program and financial records for a four-year period, in order to document compliance with the provisions of HOPWA regulations. The sponsor must ensure that sub-recipients also maintain these records for the four-year period after the grant agreement ends.

Monitoring Procedure

On-site monitoring: The monitor should discuss this HUD regulation with the sponsor's chief administrative officer, and review the organization's plan to maintain/archive files, both paper and electronic, for four years after the grant agreement expires.

SECTION 4: ANNUAL REPORTING AND MEASUREMENT OF OUTCOMES

Accuracy and Timeliness of Reports

Are the sponsor's performance reports accurate and completed in a timely manner?

Discussion

The collection and reporting of performance data can be a challenge for grantees and sponsors of all sizes. The evaluation of this information can help inform corrective action that will enhance support for HOPWA beneficiaries. Public and pri-

vate funding sources often require detailed performance reports, using data sets and reporting formats, and reporting schedules that are not easily coordinated. Even so, performance reports are the most basic tool for the grantee to assess a sponsor's success. For the oversight process, it is important that the sponsor provide the grantee with reports that fully and accurately reflect its work.

There are plenty of challenges in collecting data. HOPWA annual reports gather data using a variety of measurement units (households, eligible persons, housing units); sponsors could mistakenly use the wrong unit of measure (e.g., total number of beneficiaries rather than number of households) when providing data. Sponsors may report their data quarterly to the grantee and then mistakenly total their quarterly numbers at the end of the year, duplicating participant numbers.

Grantees should double-check the accuracy of a sponsor's annual and other reports and, if necessary, troubleshoot the causes of inaccuracies with the sponsor and correct the data. This will be important especially if the monitor has reason to suspect that inaccurate data may be a sign of other problems in the sponsor's project administration. Training and other technical assistance may be needed to help a sponsor accurately track and report their performance data.

The grantee should lay out its reporting requirements in its original agreement with the sponsor. This should include what data will be required (usually through use of a standard reporting tool) and when it will be required. The sponsor will be required to report to the grantee at least annually on its performance. The grantee has 90 days from the end of an operating year to submit its annual report to HUD. The timely receipt of reports from the sponsor is important to the grantee, so that the grantee can meet its own reporting requirements. The timely reporting of performance data is important to HUD, so that it can understand the HOPWA program's overall performance, evaluate and plan program action, and report the program's successes to Congress and the public.

Problems with the timely submission of complete and reliable reports may indicate other problems with the sponsor, including staff turnover, poor administration, or insufficient staff training.

Monitoring Procedure

Remote monitoring: Review a sponsor's regular and/or annual reports. Verify that the numbers cross-check across the form and are consistent with information provided in connection with invoices (e.g., for tenant-based rental assistance, in

terms of checks paid to property owners versus numbers reported). Note if the numbers are unexpectedly high or low. Based on the particular reporting schedule used by a grantee, the grantee should track the submission of sponsor reports, recording when reports were initially received and when the data was verified as complete. Within the context of agreements, work with the sponsor to identify the cause of problems in completing and submitting adequate reports.

On-site monitoring: Verify the accuracy of reports with the sponsor. Cross-check the sponsor's report against actual performance and program records. Rather than verifying every data point, the grantee can verify the various types of data reported upon, sampling output and outcome, expenditure and leveraging data points. Verify that the sponsor properly understands the data that is requested and that they have accurately gathered data for their reports. Based on a sponsor's track record with the timely submission of reports, check into the root causes of reporting problems. Find out if the sponsor needs additional technical assistance or support in regards to its data collection system or help developing staff capacity to adequately complete reports in an accurate and timely manner.

Performance and Outcomes

Is the sponsor's performance satisfactory, in terms of proposed vs. actual outputs and outcomes?



Discussion

The reporting framework developed by HUD for the HOPWA program is designed to help grantees and project sponsors to measure progress towards meeting HOPWA program goals and objectives. HUD has three primary objectives that it seeks to achieve through the HOPWA program:

- Increased stability for participants in housing that is safe, decent, and sanitary
- Reduced risk of homelessness
- Increased access to care and support

Formula and competitive grantees use different but basically identical reporting formats to transmit annual performance data to HUD. Competitive grantees sub-

mit an Annual Progress Report (APR, HUD form 40110-C); formula grantees report similar beneficiary and expenditure data through the Integrated Disbursement and Information System (IDIS) and summary data in their Comprehensive Annual Performance and Evaluation Report (CAPER, HUD form 40110-D).⁵

HUD measures HOPWA performance based on achievement of both program housing outputs and program client outcomes. Outputs are units of service provided, such as the number of households receiving rental assistance or case management. Outcomes measure the changes that might result from a person or household having received HOPWA assistance, such as an increase in housing stability. HUD expects grantees and sponsors to show the outcomes that result from their HOPWA activities. The process of reporting data by the sponsor to the grantee and the grantee to HUD is an opportunity for the grantee to evaluate the sponsor's success in achieving program goals.

Whether a sponsor is meeting their performance goals is a good indicator of the overall success of a program. Many factors contribute to how well a sponsor meets its goals, and not all of these will be in the sponsor's control. However, exploring unexpected outcomes gives the grantee and the sponsor both an opportunity to improve HOPWA services and change a program's activities or methods.

Monitoring Procedure

Remote monitoring: Review periodic (monthly, quarterly, etc.) and annual reports as the sponsor submits them, watching for unexpected performance or outcome data. Consider any comments from clients or the public, such as participation surveys and study recommendations. Discuss unexpected data with the sponsor; this may signal the need for a site visit.

On-site monitoring: Review periodic and annual reports, focusing on unexpected performance and outcome data. Discuss the possible reasons for the results, helping the sponsor to identify what it can or should change in its operations. Identify technical assistance needs that the sponsor might have to improve internal operations or adapt to circumstances in the community.

⁵These and other HUD forms and documents can be found at <<http://www.hudclips.org/>>.

Chapter Checklist

Basic Oversight Elements		
Section 1: Grant Basics		
* Balances of Grants Examined, Including Unexpended Funds		
Is the sponsor drawing down funds at an appropriate pace based on approved grant activities and the anticipated implementation schedule?	YES	
	NO	
Written Agreements Between Sponsors and Sub-recipients or Contractors		
Are adequate and executed written agreements with organizations selected or designated as sub-recipient service contractors and/or collaborators in place to ensure that the organizations comply with HOPWA program requirements?	YES	NOT APPLICABLE
	NO	
Section 2: Client Basics		
* Eligibility and Household Composition Documentation		
Do the participant files reviewed contain the required documentation to verify program eligibility and household composition?	YES	
	NO	
* Housing Assessments/Plans		
Do project sponsors conduct participant housing needs assessments (such as participant intake procedures, housing case management or other efforts) which serve to direct the type of housing assistance provided from HOPWA or other sources?	YES	
	NO	

Section 3: Policies and Procedures		
* Confidentiality Compliance		
Has the sponsor established a written confidentiality policy and does the sponsor consistently follow the policy?	YES	
	NO	
* Participant Termination Policy		
Does the sponsor follow HUD requirements for the termination of participants from HOPWA assistance or services?	YES	
	NO	
* Conflict of Interest		
Does the sponsor have a written conflict of interest policy governing employees, officers or agents engaged in the award and administration of contracts supported by grant funds, in compliance with HOPWA regulations?	YES	
	NO	
Faith-based Organizations		
Are faith-based organizations provided equal access to HOPWA resources? If a sponsor or sub-recipient is a primarily religious organization, are HOPWA activities clearly separated from and free of the religious influences of the organization?	YES	NOT APPLICABLE
	NO	
Fair Housing and Equal Opportunity		
Are the project sponsor's policies and procedures and program implementation in compliance with Fair Housing and affirmative outreach requirements?	YES	
	NO	

Record Retention	
Does the sponsor have a plan in place to maintain program and related financial records for a four-year period after the end of the grant agreement?	YES
	NO
Section 4: Annual Reporting and Outcomes	
Accuracy and Timeliness of Reports	
Are the sponsor's performance reports accurate and completed in a timely manner?	YES
	NO
* Performance and Outcomes	
Is the sponsor's performance satisfactory, in terms of proposed vs. actual outputs and outcomes?	YES
	NO

Tenant-Based Rental Assistance

HOPWA rental assistance can take the form of facility-based housing assistance or tenant-based rental assistance (TBRA). With facility-based assistance, the HOPWA subsidy is attached to a specific building or unit; Community Residences use HOPWA monies as operating subsidies (see Chapter 6 for more information on facility- or project-based housing assistance). Tenant-based rental assistance is a rental subsidy used to help participants obtain permanent housing in the private rental housing market that meets housing quality standards and is rent reasonable. The focus of this chapter is tenant-based HOPWA rental assistance.

Working much like the Section 8 Housing Choice Voucher Program, HOPWA tenant-based assistance pays the difference between the Fair Market Rent or “reasonable rent” and the tenant’s portion of the rent. With TBRA, the HOPWA project sponsor makes rental payments directly to property owners. The HOPWA subsidy covers a portion of the full rent; the tenant also pays a portion based on their adjusted income or gross income, as described in detail below.

In order to monitor a tenant-based rental assistance program fully, site visits to multiple locations may be necessary, since monitoring TBRA relies on the direct review of participant files and, if necessary, the inspection of units.

Chapter Organization

This chapter provides information to the grantee about how to monitor a sponsor’s administration of key elements of the long-term rental assistance program:

Key monitoring elements:

- * Rent Calculation and Re-certification
- * Leases
- * Housing Quality Standards

Other monitoring elements:

- Program Fees
- Use of Fair Market Rents
- Lead Paint & Fire Safety

Key sources for this chapter:

- Participant files and records

Rent Calculation

Is there adequate documentation to show that participant rent payments and HOPWA subsidy payments have been calculated as required by HUD regulations? Does the sponsor recertify household composition and rent calculation at least annually?



Discussion

HOPWA income eligibility and rent calculation regulations refer to portions of 24 CFR Part 5 that are also used by the Housing Choice Voucher Program (HCVP or 'Section 8'). However, it is important to note that there are basic differences between how HCVP and HOPWA rents are calculated and caution should be used in transferring procedures from one program to the other. The method described below applies to the HOPWA program.

There are three key elements for the determination of HOPWA TBRA assistance:

- Calculation of gross and adjusted household income;
- Calculation of tenant rent payment (based on income); and
- Calculation of HOPWA subsidy payment.

The tenant's payment is calculated based on household income, regardless of the total rent for a housing unit. The portion that the HOPWA program pays is the difference between the tenant's portion and the total contract rent for an approved unit (according to the lease agreement with the property owner).

HOPWA participant rent payments will be the higher of three amounts:

- 10% of gross household income;

- 30% of adjusted income; or
- The participant's 'welfare rent' payment.

What is 'welfare rent'? As part of their federal Temporary Assistance for Needy Families programs (TANF), some states might dedicate a portion of TANF assistance to families for help with rent payments. Similarly, some states may have programs that provide benefits to families or individuals that include a housing assistance portion, such as New York State's 'Temporary Assistance' program. When TANF (often called 'welfare') or a similar resource is used to help with rent payments, this is called a 'welfare rent payment.' The grantee and the sponsor should be aware if their state includes rent assistance as part of its TANF program for families or other assistance to individuals.

Rent Calculation Steps

1. Calculate gross and adjusted household income amounts.
2. Determine if a household is eligible for the Earned Income Disregard. If so, deduct disregarded income from total household income.
3. Determine which is highest: 10% of gross income, 30% of adjusted income or 'welfare rent.' This is the base rent payment for the household.
4. Calculate and apply an allowance for utility costs, if applicable, subtracting the allowance from the base rent payment.
5. This amount (which may be a negative number) is the final household portion of the rent.
6. Subtract the final household rent amount from the approved unit rent. This amount is the amount of monthly HOPWA assistance on behalf of the household.

Gross household income is the total of all pre-tax income received by all household members, including earnings from income-producing assets (for example, certificates of deposit, retirement accounts and trusts).

Adjusted income is figured using the list of income inclusions and exclusions laid out in HUD regulations. The full text of 24 CFR 5.609 and 5.611 explain what income to include and exclude in calculating adjusted household income. Most of the items are self-explanatory.¹

Lump-sum payments, including Social Security benefits that a participant might re-

¹Detailed information about adjusted income is available on HUD's website at <http://www.hud.gov/offices/cpd/affordablehousing/training/web/calculator/definitions/part5.cfm>.

ceive after they are determined eligible for SSI or SSDI, are not included in the calculation of income. Only the base monthly benefit is included. A sponsor should not retroactively charge rent to a participant based on retroactive lump-sum payments from the Social Security Administration. Other lump-sum payments might include inheritance or lottery winnings, though such payments may be considered assets. Income earned from such payments, such as interest, would be considered income.

Also, the Earned Income Disregard (EID) is an important incentive for disabled

Earned Income Disregard

The “Earned Income Disregard” allows qualified individuals and families receiving housing assistance to keep more of their earned income for a period of up to two years following an increase in employment income. The purpose is to assist persons with disabilities in obtaining and retaining employment as an important step toward economic self-sufficiency. It applies to annual income increases as a result of:

- Employment of a family member with disabilities and who was previously unemployed for one or more years; or,
- Earnings by a family member with disabilities from participation in an economic self-sufficiency or job training program; or
- Increased employment earnings of a family member with disabilities while receiving, or within six months after receiving, welfare assistance worth at least \$500.

When an eligible person’s household income increases due to employment (earned income), then 100% the amount of the increase is not factored into calculating rent for 12 months after the start date of the employment resulting in the increase. After one year, then 50% of the increase is disregarded for an additional 12 months. Note that the disregard only applies to the increase in income, that is the difference between prior income and total income after employment. It does not apply to all of the new earned income. For example, a person receiving SSDI starts a new job. They see a decrease in their SSDI benefit by \$200 a month. They earn \$500 a month in new income. The net increase, then, is \$300 over prior income and that would be the amount to be disregarded in full for one year. In the second year, 50% of the increase would be disregarded, or \$150.

Also, the 24 months of eligibility for the EID can be spread out over 48 months. This will be helpful for someone who may only have periodic or seasonal work.

24 CFR 5.617

persons returning to work. EID is an incentive that keeps certain income earned by a disabled person returning to work from being counted as part of their total

Income Exclusions: Commonly Overlooked Or Miscalculated Items

- **Unreimbursed medical expenses:** Unreimbursed, verifiable out-of-pocket medical expenses that exceed 3% of annual gross income are deducted from total annual income. Qualifying medical expenses for HUD programs must meet IRS guidelines for allowable medical expenses, which can be found at <http://www.irs.gov/pub/irs-pdf/p502.pdf>. Households must also be eligible for elderly/disabled deductions, to receive this exclusion.
- **Reduced Social Security payments:** If Social Security payments are being reduced due to prior over-payment, use the reduced amount to calculate income. If payments are being reduced because the Social Security Administration is garnishing the payment for some reason (e.g. to cover unpaid child support payments), use the ungarnished, higher payment to calculate income.
- **One-time payments or sporadic income** is not calculated as a part of annual income.
- The **Elderly/Disabled deduction** is only counted once per household.
- **Unreimbursed childcare** for children under the age of 13 that allows a parent or guardian to work should be deducted.
- The **Handicapped Assistance Allowance** applies to persons who require additional supports as the result of a disability to be able to work, or to permit another family member to work. This allowance covers unreimbursed costs over 3% of the household's gross income, provided that the total costs do not exceed the amount of income earned from that work.
- **Income of dependents:** Earned income for minors is never counted, though any benefits paid on their behalf are included in the household gross (child support, survivor's benefits). For all other dependents, income should be counted unless it is earned through a federally excluded source (work-study, job training programs) or the dependent is a full-time student.
- **Foster care payments:** Payments received for the care of foster children is excluded from the household income. Also, no dependent allowance is given for those children.

Specifics regarding income exclusions and inclusions are to be found at <http://www.hud.gov/offices/cpd/affordablehousing/training/web/calculator/adjustedincome/>.

A list of Frequently Asked Questions on income and rent determinations is located at http://www.hud.gov/offices/pih/programs/ph/rhiip/faq_gird.cfm.

income. For HOPWA TBRA programs, this means that income covered by the EID should not be included in calculating the participant's rent payment. Households eligible for the EID may require interim rent adjustments during the year (in addition to annual recertification), since the EID period starts from the date of employment and will likely not coincide with the recertification date. See the related text box for more information. The full text of 24 CFR 5.617 explains the Earned Income Disregard and its application to determining income and calculating rent.

If the participant resides in a shared housing situation, check to make sure the sponsor has pro-rated the assistance according to HOPWA regulations. 'Shared housing' refers to situations where the eligible participant or family is sharing a single dwelling with other persons who are not of this household and whom cover their own share of housing costs. 24 CFR 574.320(b) states that shared housing rent payments are calculated on a pro-rated basis "in relation to the size of the private space for that assisted family or individual in comparison to other private space in the shared unit, excluding common space." HOPWA programs use a definition of 'family' (24 CFR 574.3) that allows for the inclusion of persons living with the HOPWA-eligible individual who are determined to be important to their care and well being. Generally, residents in a unit would present themselves as part of the assisted household or as sharing an individual unit in the same household.

Once a sponsor determines the participant's base rent payment (the higher of welfare rent payment, 10% of gross income or 30% of adjusted income), it should next deduct an allowance for utility costs, if the participant will be paying for their own utilities in a unit. A utility allowance is subtracted from the participant's base rent payment. Base rent minus utilities allowance is the participant's rent payment. If this is a negative number, the tenant is reimbursed the difference in the form of a monthly utility assistance payment. For example, a tenant's rent portion is determined to be \$250. However, they are responsible for the gas heat in their unit, so an allowance will need to be deducted from the tenant's rent portion. The sponsor determines that gas heat costs for that particular unit average \$75 a month. This allowance is deducted from the tenant's portion, which will now be only \$175 a month.

Most types of utilities are generally not included in lease payments, as a term of the lease. However, if the lease agreement includes reasonable utility costs (e.g., for gas, water, electric, sewer), these can be a part of the regular rent payment. A utility allowance should be based upon average costs for a particular utility in

a particular unit type and size. Public housing authorities maintain and update annually a ‘schedule’ of utility allowances for their locale. Grantees and sponsors can request utility schedules from a local or regional housing authority for use in their HOPWA program.

Live-In Aides and HOPWA Housing Assistance

Live-in aides are a necessary resource for certain program participants who would otherwise be unable to live independently in the community. Live-in aides assist with daily living tasks and provide general support that may allow someone to better compensate for the ways in which they are impacted by disability.

How to handle live-in aide requests:

- Requests should be handled as a Reasonable Accommodation based on a medically verified need that is re-evaluated each year at the annual recertification.
- Supporting documentation for the live-in aide should be specific about daily living needs but not give details of the medical diagnosis.

Additional areas of common misapplication:

- Approval for a live-in aide should be reserved for situations where the level of need requires a caretaker apart from the family who is fully dedicated to this purpose.
- Family members who would otherwise be part of the household composition whether or not they were granted live-in aide status would not qualify.
- Generally, live-in aides are intended for individuals who require 24-hour, round-the-clock care, therefore caretakers who assist only during the daytime do not need to be approved as live-in aides.

Information collection requirements:

- Live-in aides are not subject to criminal background checks and their income is not counted towards the household income for rent calculation purposes.
- Sponsor may choose to collect basic identifying information for record keeping purposes, or in case of problems.

The grantee or sponsor establishes the rent standard for the program—the maximum value of an allowable rental unit. This standard can be no higher than the published Section 8 Fair Market Rent (FMR) or the HUD-approved community-wide exception rent for the unit size. However, on a unit-by-unit basis, the grantee

may increase that amount by up to 10% for up to 20% of the units assisted. HUD publishes FMRs at least annually (usually in October), by MSA (metropolitan statistical area) and by county, for those areas outside of MSAs.² Fair Market Rents are the estimated total housing costs (rent plus utilities) in a community.

'Community-wide exception rents' can include the prevailing 'Applicable Payment Standards' used by local housing authorities to administrate Housing Choice Voucher programs ('Section 8'). These rent standards can be approved for a HOPWA grantee to allow for their use for the HOPWA program in the metropolitan area or in the state's service area. For example, a formula grantee's Consolidated Plan (or an agreement separately approved by the HUD Field Office for competitive grantees) may state that the rent standard to be utilized by the grantee's program is the rent standards approved by each of the local public housing authorities (PHAs) for the area that the PHA serves (i.e., the payment standard or HUD-approved community-wide exception that applies to that PHA's service area, as set within the basic range of 90 to 110 percent of the published fair market rents (FMR) or as an exception payment standard approved by HUD up to 120 percent). This rent standard would then apply to the program in assisting beneficiaries residing in the PHA's area regardless of the entity operating the rental assistance program in that community. This could include situations where the tenant-based rental assistance (TBRA) to a household is managed by another organization, such as a local nonprofit serving as a sponsor for the grantee, and the beneficiary secures housing in a neighborhood where the PHA operates. The use of the exception rent standard for the beneficiary household must be documented for eligibility, consistent with the approved local standard.

The HOPWA TBRA program subsidy payment is the difference between the contract rent charged for an approved unit and the tenant rent payment. Besides the exceptions allowed as described above, the gross rent (contract rent plus any utilities paid by the tenant) cannot exceed HUD established FMR for that unit size in that area.

Participant files should contain documentation that:

- household income was properly calculated;
- their rent payment was properly calculated; and

²FMRs vary widely from community to community and are available at <<http://www.huduser.org/>>.

→ the HOPWA subsidy was properly calculated, including use of utility allowances (when applicable) and FMR rent standards.

Files should contain third-party income documentation, such as pay stubs, earning statements, checks, W-2 forms, and income tax returns. If a participant reports that they have no income, a signed and witnessed “Verification of No Income” statement should be present in the participant’s file. In addition, participant files should contain proper documentation to support any use of the Earned Income Disregard.

Participant eligibility status, household composition, and rental payments should be verified at least annually. This is called ‘re-certification.’ The sponsor should have a method in place for tracking participant eligibility and verifying income that looks for changes in income, family composition, and circumstances. The sponsor should have policies and procedures in place that require the participant to notify the sponsor of income changes during the course of a program year. If changes occur that affect either program eligibility or rent payments, the tenant and the property owner should be notified promptly. If a participant’s adjusted household income increases to above 80% of Area Median Income, the sponsor should take steps to terminate the participant from the HOPWA program.

Monitoring Procedure

On-site monitoring: Review a sample of participant files and check to see that household income and rent payments are calculated using the standards described above. Was total annual adjusted income correctly calculated, with all inclusions and exclusions of income, including the Earned Income Disregard? Were Fair Market Rent limits and utility costs taken into account in approving a unit and calculating tenant rent payments? The monitor should have the HUD-approved utility allowance chart from the local Public Housing Authority and Fair Market Rents chart for the relevant jurisdiction at their disposal to complete this section.

Participant files should contain documentation of annual income and rent payment determinations and copies of notices sent to property owners and participants explaining any changes in project sponsor and tenant rent payments. Interview the HOPWA program manager for a description of the sponsor’s re-certification process.

Leases

Is a lease that meets state and local standards in place for each participant receiving tenant-based rental assistance?



Discussion

The main goal of the HOPWA program is to increase housing stability for participants. HOPWA tenant-based rental assistance involves the use of a lease or occupancy agreement between the owner and tenant, with standard provisions, such as the requirement that the lease or agreement be for a period of at least one year. Section 8 regulations, which HOPWA follows to the extent

practicable, provides that a project sponsor may approve a shorter initial lease if such shorter term would improve the housing opportunities for the tenant and such shorter term is the prevailing local market practice. A written agreement is also required when a person receiving rental assistance is authorized to rent from a family member as a reasonable accommodation for a disability. In order for the agreement to be valid, the tenant must have legal capacity to enter into a lease under state and local law. ‘Legal capacity’ refers to competency or a person’s ability to meet the terms of the agreement. A copy of the fully executed rental agreement (i.e., signed and dated by both parties) should be maintained in each participant file.

Monitoring Procedure

On-site monitoring: Review a sample of participant files to ensure that each file contains a copy of the participant’s lease or occupancy agreement. Verify that the lease is fully-executed, that is, signed and dated by all parties.

Prohibition Against Renting From Family Members

Generally, recipients of HOPWA housing assistance are prohibited from renting from someone who is the parent, child, grandparent, grandchild, sister, or brother of any member of the participating household. The one exception is if approving the unit would provide reasonable accommodation for a family member who is a person with disabilities.
[24 CFR 982.306 (d)]

Housing Quality Standards

Do participant files verify that inspections for housing quality/habitability standards are being conducted in connection with providing rental assistance?



Discussion

Each unit subsidized with HOPWA assistance must pass a housing quality inspection to ensure the housing provided is safe and sanitary and in compliance with local and state housing codes, licensing standards, and any other jurisdictional requirements, and the HOPWA program habitability standards as outlined in 24 CFR 574.310(b). Housing quality inspections are made at initial move-in and annually during the term of the rental assistance. Prior to occupancy by the HOPWA-funded tenant, the unit must be inspected and approved by the sponsor. The staff member performing the inspection need not have any special training, just familiarity with the HOPWA guidelines. The sponsor should use a checklist that covers the standards set out in the HOPWA regulations.

These standards are:

- Structure and materials: The structures must be structurally sound so as not to pose any threat to the health and safety of the occupants and to protect the residents from hazards.
- Access: The housing must be accessible and capable of being used without unauthorized use of other private properties. Structures must provide alternate means of egress in case of fire.
- Space and security: Each resident must be afforded adequate space and security for themselves and their belongings. An acceptable place to sleep must be provided for each resident.
- Interior air quality: Every room or space must be provided with natural or mechanical ventilation. Structures must be free of pollutants in the air at levels that threaten the health of residents.
- Water supply: The water supply must be free from contamination at levels

that threaten the health of individuals.

- Thermal environment: The housing must have adequate heating and/or cooling facilities in proper operating condition.
- Illumination and electricity: The housing must have adequate natural or artificial illumination to permit normal indoor activities and to support the health and safety of residents. Sufficient electrical sources must be provided to permit use of essential electrical appliances while assuring safety from fire.
- Food preparation and refuse disposal: All food preparation areas must contain suitable space and equipment to store, prepare, and serve food in a sanitary manner.
- Sanitary condition: The housing and any equipment must be maintained in sanitary condition.

Monitoring Procedure

On-site monitoring: Check a sample of participant files for a signed copy of the HQS checklist in each participant file. HOPWA units should be inspected before initial lease-up and then annually. Discuss with the program director the procedure in place for annually updating the HQS checklist. If feasible, visit a few sample units under lease with HOPWA assistance, to ensure that standards are being enforced.

Prohibition Against Fees

Are rental assistance projects charging participant rents as the only participant fee?

Discussion

24 CFR 574.430 states that:

The grantee shall agree, and shall ensure that each project sponsor agrees, that no fee, except rent, will be charged of any eligible person for any housing or services provided with amounts from a grant under this part.

Participants in a HOPWA project, including tenant-based rental assistance, are

only required to pay rent (as calculated above)—no other fee can be charged. Participants can not be charged for meals, utilities (unless deducted as a utility allowance from calculated rent payments), activities, program operations, and supportive services. See pages 120-121 in the facility-based housing chapter for additional discussion of the prohibition on fees.

Monitoring Procedure

On-site monitoring: The monitor should review this regulation with sponsor staff, and ensure that no fees are being charged. The monitor should also review participant files, as well as the sponsor's application package for long-term rental assistance and other program marketing materials, verifying that no other fees are charged.

Comparable Rents Checked

Are the rents being paid to property owners by the sponsor comparable to rents for non-assisted units, and reasonable, given market conditions?

Discussion

The total rent being charged for a unit must be reasonable in relation to rents currently being charged for comparable units in the private unassisted market and must not be in excess of rents currently being charged by the property owner for comparable unassisted units [24 CFR 574.320(a)(3)]. A unit may be within the FMR limits but still not meet the rent reasonableness standard. The intent of this regulation is to prevent property owners from artificially inflating over comparable units the rent charged for a unit to a person receiving federal housing assistance. Comparable rents can be checked by using a market study, by reviewing comparable units advertised for rent, or with a note from the property owner verifying the comparability of charged rents to other units owned.

Monitoring Procedure

On-site monitoring: Review rent payment records for indication that rents were determined to be reasonable.

Lead Paint and Fire Safety

Do participant files verify that federal regulations concerning lead-based paint and fire safety are being followed in connection with providing rental assistance?

Discussion

Housing units subsidized with HOPWA funds must be in compliance with federal regulations concerning lead-based paint and fire safety as set forth in the Lead-Based Paint Poisoning Prevention Act of 1973 and the Fire Administration Authorization Act of 1992. Rental assistance documentation should include proof of compliance with these regulations. The HQS checklist should include sections on lead-based paint and smoke detectors that incorporate the provisions of these federal regulations; in the case of the fire protection act, the participant can self-verify that the unit complies with the regulation.

The Fire Administration Authorization Act prohibits the use of housing assistance in connection with any newly constructed (post-1994) multifamily property of four or more stories unless the property is equipped during construction with automatic sprinkler systems and hard-wired smoke detectors.³ For all units regardless of when constructed, these standards apply:

- On each level of the dwelling unit including basements, but excluding spaces and unfinished attics, at least one battery-operated or hard-wired smoke detector in proper operating condition must be present.
- Smoke detectors must be installed in accordance with and meet the requirements of the National Fire Protection Association Standards (NFPA) 74 or its successor standards.
- If a hearing-impaired person is occupying the dwelling unit, the smoke detectors must have an alarm system designed for hearing-impaired persons as specified in NFPA 74 or its successor standards.⁴

³HUD's Notice implementing the Fire Administration Authorization Act can be found at <<http://www.hud.gov/offices/cpd/lawsregs/notices/prior95/cpd9405.pdf>>.

⁴The National Fire Protection Association Standards can be found at <<http://www.nfpa.org/index.asp>>.

The Lead-Based Paint Poisoning Prevention Act (LBPPA) applies to HOPWA housing activities, including the provision of tenant-based rental assistance. The Act's implementation regulations can be found at 24 CFR 35, including sub-part M, "Tenant-based Rental Assistance." The requirements of the LBPPA apply a) when a child under the age of six is part of the household receiving HOPWA assistance and b) when the leased property was constructed before 1978. The requirements do not apply to SRO or zero-bedroom units. It is important to note that state and local requirements regarding lead paint may be stricter than federal requirements. In all cases, complying with federal requirements does not relieve the sponsor from also complying with local or state requirements.

There are six basic requirements for complying with HOPWA lead-based paint regulations:

1. Provision of HUD's "Protect Your Family From Lead In The Home" pamphlet.⁵
2. Disclosure notice to occupants: The property owner or lessor of the property is required to disclose the presence of known lead-based paint in the unit to be leased.⁶
3. Visual assessment: Regulations require that a visual assessment of existing paint surfaces in dwellings constructed before 1978 be included in HQS inspections before a unit is leased. An on-line training in visual assessment is available and should be completed by project staff. It takes about an hour to complete.⁷
4. Paint stabilization: If a visual assessment reveals problems with paint surfaces, the property owner should undertake paint stabilization before the start of a lease. Specific guidelines for paint stabilization can be found in 24 CFR 35.1330(b).
5. Ongoing lead-based paint maintenance: A visual assessment of the stability of painted surfaces should be conducted as part of the annual recertification and HQS process.
6. Response to a child with elevated blood lead levels: When a child under the

⁵"Protect Your Family From Lead In The Home" is available in English, Spanish and Vietnamese on HUD's website: <<http://www.hud.gov/offices/lead/disclosure/index.cfm>>.

⁶A sample disclosure form is available on HUD's website in English and Spanish: <<http://www.hud.gov/offices/lead/disclosure/index.cfm>>.

⁷The training can be found at <<http://www.hud.gov/offices/lead/training/visualassessment/h00100.htm>>.

age of 6 living in a HOPWA leased unit is found to have elevated blood levels, a response process described in 24 CFR 35.1225 will take effect (consult the regulation for more detail).

Monitoring Procedure

On-site monitoring: Review sample participant files for households receiving HOPWA tenant-based rental assistance. Verify that there is documentation regarding compliance with Fire Safety Act and Lead-Based Paint Poisoning Prevention Act provisions. For the latter, check files for households with children under the age of 6. Look for documentation that households received HUD's lead-based paint pamphlet, that the landlord disclosed any known lead hazards, that a visual assessment of paint stability was completed prior to occupancy, that paint stabilization was undertaken (if necessary), that visual assessments are completed upon recertification and, if necessary, that there was proper response to elevated lead levels in children under the age of 6.

Manufactured Housing

If the sponsor has participants receiving tenant-based rental assistance in manufactured housing, does the manufactured housing meet HUD regulations?

Discussion

In some cases, HOPWA TBRA assistance can be provided to households that rent manufactured housing (also known as a “mobile homes” or “trailers”) or rent the home site on which a manufactured home is located. The HOPWA guidance on this use is with reference to a notice for HUD's HOME program, “Guidance on Manufactured Housing under the HOME Program” (CPD Notice 03-05).⁸ The Frequently Asked Questions addendum to HUD's 2006 Notice regarding HOPWA's Short-Term Rent, Mortgage and Utilities program (CPD Notice 06-07)⁹ also addresses using HOPWA in connection with manufactured housing. For TBRA, Fair Market Rents apply, taking the total monthly rent payment to include site, structure, and association fees. In order for a manufactured housing unit to be eligible for HOPWA financial assistance, the unit must:

⁸This notice can be found at <<http://www.hud.gov/offices/cpd/lawsregs/notices/2003/>>.

⁹This notice can be found at <<http://www.hud.gov/offices/cpd/lawsregs/notices/2006/>>.

- Be connected to permanent utility hook-ups;
- Be located on land that is owned by the manufactured home owner or on land for which the manufactured home owner has a lease, such as in a mobile home park;
- Be attached to a permanent foundation; and
- Meet HOPWA housing quality standards.

Monitoring Procedure

On-site monitoring: Ask the sponsor if any participants receiving HOPWA assistance are living in manufactured housing. If yes, review participant files and verify that this assistance was provided in compliance with HUD guidelines.

Chapter Checklist

Tenant-Based Rental Assistance	
* Rent Calculation	
Based on a sample review of participant files, is there adequate documentation to show that participant rent payments and HOPWA subsidy payments have been calculated as required by HUD regulations?	YES
	NO
Does the sponsor re-certify household composition and rent calculation at least annually?	YES
	NO
* Leases	
Is a lease that meets state and local standards in place for each participant receiving tenant-based rental assistance?	YES
	NO
* Housing Quality Standards	
Do participant files verify that inspections for housing quality/habitability standards are being conducted in connection with providing rental assistance?	YES
	NO
Fees	
Are rental assistance projects charging participant rents as the only participant fee?	YES
	NO
Comparable Rents Checked	
Are rents being paid to the landlord by the sponsor comparable to rents for non-assisted units, and reasonable, given market conditions?	YES
	NO

Lead Paint and Fire Safety	
Do participant files verify that federal regulations concerning lead-based paint and fire safety are being followed in connection with providing rental assistance?	YES
	NO
Manufactured Housing	
If the sponsor has participants receiving tenant-based rental assistance in manufactured housing, does the manufactured housing meet HUD regulations?	YES
	NO

Appendix 1: Resident Rent Calculation Worksheet

Resident Rent Calculation Worksheet	
<i>[See 24 CFR 5.609 for all income inclusions and exclusions]</i>	
Calculating Annual Income	
1. \$	Annual Income from all sources
2. \$	Income Exclusions
3. \$	Annual Income
Calculating Adjusted Income	
Dependent Allowance	
4.	Number of Dependents
5. \$	Multiply Line 4 by \$480
Child Care Allowance	
6. \$	Anticipated Unreimbursed Expenses for Care of Children
Disabled Assistance Allowance	
7. \$	Disabled Assistance Expenses
8.	Multiply Line 3 by 0.03
9.	Subtract Line 8 from Line 7
10. \$	Family Member Earnings which were dependent on the disabled assistance expenses
11. \$	Lesser of Lines 9 or 10
Medical Expenses/Elderly Family Allowances	
12. \$	List Total for Medical Expenses
13.	If Line 9 > 0, enter amount from Line 12, otherwise add Line 7 and 12 and subtract Line 8.
14. \$	Elderly/Disabled Allowance (Enter \$400, if applicable)
Adjusted Income	
15. \$	Total Income Adjustments (Add Lines 5, 6, 11, 13, and 14)
16. \$	Adjusted Income (Subtract Line 15 from Line 3)
Resident Rent Determination	
17. \$	30% of Monthly Adjusted Income (Divide Line 16 by 12 and multiply by 0.3)
18. \$	10% of Monthly Income (Divide Line 3 by 12 and multiply by 0.1)
19. \$	Portion of welfare payment designated by the agency to meet the family's housing cost, if applicable.

20. \$	Enter the Largest of Lines 17, 18 or 19. This is the Maximum amount per month that may be charged for resident rent.
Determining Resident Rent for Units Where Utilities are Not Included in Rent	
21. \$	Utility Allowance
22. \$	Resident Rent (Subtract Line 21 from Line 20)
23. \$	Utility Reimbursement (Only if Line 22<0, This is the amount that must be paid to the resident as a utility reimbursement.)

Appendix 2: Earned Income Disregard Worksheet

Earned Income Disregard Worksheet	
STEP 1: Determine Eligibility (The Earned Income Disregard does not apply for purposes of admission to these programs)	
<p>A. A disabled family must be receiving assistance through one of the following programs:</p> <ul style="list-style-type: none"> • HOPWA (Housing Opportunities for Persons with AIDS) • HOME (Housing Opportunities Made Equal) • SHP (Supportive Housing Program) • Housing Choice Voucher (Section 8) <p style="text-align: center;">And at least ONE of the following must apply</p> <p>B. Whose annual income increases as a result of employment of a family member who is a person with disabilities and who was previously unemployed for one or more years prior to employment; OR</p> <p>C. Whose annual income increases as a result of increased earnings by a family member who is a person with disabilities during participation in any economic self-sufficiency or other job training program; OR</p> <p>D. Whose annual income increases, as a result of new employment or increased earnings of a family member who is a person with disabilities, during or within six months after receiving assistance, benefits or services under any state program for temporary assistance for needy families funded under Part A of Title IV of the Social Security Act, as determined by the responsible entity in consultation with the local agencies administering temporary assistance for needy families (TANF) and Welfare-to-Work (WTW) programs. The TANF program is not limited to monthly income maintenance, but also includes such benefits and services as one-time payments, wage subsidies and transportation assistance--provided that the total amount over a six-month period is at least \$500.</p> <p style="text-align: center;">- If eligible proceed to Step 2 -</p>	
STEP 2: Calculate Amount of Earned Income Disregard	
A. Current earned income (gross annualized) of EID family member	\$
B. Other current income (gross annualized) of EID family member	\$
C. Total current annual income of EID family member (A+B)	\$
D. Pre-Qualifying income Total gross annual income at last review (earned and unearned) for this member	\$
E. Full exclusion (C-D, but no more than A) First 12-month exclusion period	\$
F. 50% exclusion, if applicable (E x 0.050) Second 12-month exclusion period	\$
The amount on Line E or Line F (whichever is applicable) is the amount of deduction.	

Short-Term Housing Assistance

The HOPWA program provides for two types of short-term housing assistance to eligible participants: short-term rent, mortgage, and utilities assistance (STRMU) and short-term supported housing assistance. The activities are quite different from each other. The vast majority of short-term assistance provided through the HOPWA program is STRMU assistance.

STRMU is rent, mortgage, and utilities assistance paid on a participant's behalf in order to prevent homelessness as an intervention to help a household maintain their current housing.

By contrast, HOPWA assistance connected to short-term supported housing generally includes use of an emergency housing facility or shelter, with a sponsor or grantee paying for a participant's stay at a short-term facility that provides temporary shelter, such as a detox or emergency shelter facility. Facility size and participant time limits will apply to short-term supported housing.

Neither component is intended to provide long-term or continuous assistance, but positive long-term effects will often result by stabilizing a household or helping them connect to long-term support. HOPWA requires that grantees and sponsors make good faith efforts to secure permanent housing for a participant, if that is their assessed housing need.

Grantees and sponsors should consult CPD Notice 06-07 ("Standards for HOPWA Short-term Rent, Mortgage, Utility Payments and Connections to Permanent Housing") for detailed information regarding STRMU and other HOPWA housing assistance activities.¹ This Notice includes standards for determining eligibility, calculating the 21-week term of assistance, the connection to permanent housing activities, and related outcome performance measurements. It also includes a 'Frequently Asked Questions' (FAQ) addendum that provides additional detail. Relevant information from the Notice and FAQ documents are included in the discussions below.²

¹<<http://www.hud.gov/offices/cpd/lawsregs/notices/2006/>>

²The documents can be found on the HOPWA program's web site:

<<http://www.hud.gov/cpd/aidshousing/>>. Note: such HUD notices remain in effect as guidance even after their posted date, unless replaced by subsequent documents.

HOPWA annual reporting tracks the housing stability outcomes of participants in HOPWA housing activities in order gauge project-specific and overall program success in increasing housing stability. HUD recognizes, however, that housing outcomes may not easily fit into simple categories and that short-term HOPWA housing assistance may not always lead directly to long-term stability. While full stability and independence from future short-term assistance may not be achieved, this assistance helps prevent near-term homelessness. The outcome measurements for STRMU assistance reflect the ‘shades’ of stability that result from providing STRMU.

Chapter Organization

This chapter is divided into two sections. Section I covers STRMU assistance. Section II covers short-term supported housing.

Key monitoring items:

- ✱ Documentation of need (STRMU)
- ✱ Time limits on assistance (STRMU)
- ✱ Housing need assessments and plans (STRMU and Short-term supported housing assistance)

Other monitoring items:

- Time limit waivers and ‘good faith effort’ (STRMU)
- Time limits and facility size limits on assistance (Short-term supported housing assistance)

Data sources will include client records and program policies and procedures.

SECTION 1: SHORT-TERM RENT, MORTGAGE, AND UTILITIES ASSISTANCE

Documentation of Need

Does the sponsor document participant need for STRMU assistance?



Discussion

The goal of HOPWA STRMU assistance is to provide short-term interventions that help maintain stable living environments for households who are experiencing a financial crisis and the potential loss of their housing arrangement. STRMU assistance is a tool for the prevention of homelessness. Used in connection with other HOPWA activities and other local, state and federal resources, STRMU can lead to long-term solutions to housing problems for participants receiving this time-limited housing assistance.

STRMU can temporarily cover a set amount up to 100% of an overdue and ongoing rent, mortgage, or utility payment and is intended as a bridge to more permanent housing solutions, such as obtaining long-term rental assistance, increasing

household income, or helping a household resolve a short-term crisis. STRMU is not intended to provide regular monthly relief to households in situations that are not financially manageable under normal circumstances. If a household is living

Examples of “Emergency Need”

- Applicant experiences a sudden loss of income due to changes in health.
- Applicant has lost employment and has not yet been found eligible for SSDI.
- Applicant’s household loses a source of income when family composition changes.
- Due to above, applicant family faces eviction, foreclosure, or utilities shut-off.
- Applicant faces extraordinary and unexpected health care costs.

in a unit that is not normally affordable for them, then access to long-term rental assistance (HOPWA or other) would be a better solution than STRMU assistance. STRMU payments cannot be made to an individual or household that is already receiving rental assistance through HOPWA or another federal, state, or local housing subsidy program.

As with all HOPWA assistance, the sponsor should use individual housing service plans that assess the participant's resources, establish long-term goals, and link the participant to other support resources. The goals should involve efforts to restore participant self-sufficiency and develop independence from housing support. Need for STRMU (or other HOPWA) assistance should be evaluated regularly, as required by 24 CFR 574.500. STRMU payments are likely to create only a temporary solution for an unstable living arrangement unless connected to a long-term housing service plan for maintaining the household.

STRMU assistance covers three types of payments, for up to 21 weeks of assistance in a 52-week period:

- Back and ongoing rent payments;
- Back and ongoing mortgage payments; and
- Back and ongoing utility payments.

STRMU assistance does not include rent payments or fees made to support the placement of an individual or household in permanent housing, such as first and last month

rent payments, security deposits, or realtor fees. Such payments are eligible as HOPWA 'permanent housing placement' activities (as discussed in Chapter 7). STRMU assistance can, however, include late fees associated with overdue rent, mortgage, or utility payments.

The sponsor should have consistent STRMU policies in place that clearly state

**First and Last Month's Rent
Are Not Eligible STRMU Costs**

Sponsors often mistakenly classify payments such as first month's rent and security deposits under the STRMU activity. Move-in costs such as these are eligible as a 'permanent housing placement' activity under the supportive service budget line item.

STRMU is for individuals or families who are already housed. The intention is that these funds be available for emergencies in order to prevent homelessness.

See CPD Notice 06-07 for more detail, at:
<http://www.hud.gov/offices/cpd/lawsregs/notices/2006/>

their program's definition of 'need.' CPD Notice 06-07 states that need for STRMU assistance is based on an inability to make required rent, mortgage and/or utilities payments and that this inability presents a risk of homelessness. Program staff should be able to document that a participant has no other means of covering their payments during the 21-week eligible period.

The documentation of need for STRMU assistance has a few key elements, summarized below. Consult CPD Notice 06-07 for more detail on standards.

1. Participants must be HOPWA eligible persons or households.
2. There should be evidence of tenancy, ownership, or residency. For rental assistance, the applicant will

need to demonstrate that they are either the named tenant on a lease, are a legal resident in the unit, or have responsibility to pay rent. Evidence of the latter can be a late notice in the applicant's name. For mortgage assistance, documentation such as a deed, a late mortgage payment notice identifying the applicant, and a current insurance policy identifying the applicant or resident family members as the property owner. For utilities assistance, utility bills in the applicant's name or cancelled checks made by the applicant to a utility company for a particular account can serve as adequate documentation.

3. There must be evidence of need. To assess need, the sponsor will need to:
 - a. Verify that the applicant's request is for actual costs (e.g., utility bills, lease, default or late payment notices);
 - b. Verify that other resources such as household income are not reasonably available to address the unmet need;
 - c. Verify that STRMU assistance will meet identified need (e.g., terminate

Prohibition Against Renting From Family Members

Generally, recipients of HOPWA housing assistance are prohibited from renting from someone who is the parent, child, grandparent, grandchild, sister, or brother of any member of the participating household. The one exception is if approving the unit would provide reasonable accommodation for a family member who is a person with disabilities. [24 CFR 982.306 (d)]

eviction or shut-off proceedings); and

- d. Assess the applicant's ongoing housing needs and develop housing plans for more permanent or stable housing solutions.

Although STRMU assistance does not require the participant to pay a portion of the rent or utility bill, it should not be used to relieve the household responsibility for their rent, mortgage, or utility payments if they have some ability to contribute. If a participant is capable of paying some of their required payments, program staff may negotiate an appropriate amount of contribution. In general, STRMU should be used for reasonable and actual housing costs that a household can not cover due to a crisis and a lack of other resources.

CPD Notice 06-07 and the FAQ documents contain additional standards concerning eligible STRMU activities, such as use of STRMU in shared housing situations, when payments can be authorized for an applicant who is renting from a family member, or when an applicant lives in an eligible mobile home.

Monitoring Procedure

On-site monitoring: Review the sponsor's policies and procedures for clear standards that describe STRMU eligibility and list documentation requirements for applicants. Review a sample of participant files, checking for appropriate documentation of tenancy/residency/ownership, housing assessments, and demonstration of need. Standards for the documentation of need should be applied consistently to all applicants.

Time Limit Policies

Is the sponsor consistently and accurately enforcing HUD-established time limits for STRMU?



Discussion

The AIDS Housing Statute and HUD regulation 24 CFR 574.330 set time limits for assistance under this HOPWA category. STRMU assistance is limited to 21 weeks in a 52-week period. To manage the 21-week limit in a 52-week period, the sponsor has two administrative decisions to make:

1. How to define the 52-week period used as a base for the calculation and
2. How to calculate the 21 weeks of assistance.

The grantee should have a grant-wide method in place for tracking participant usage of STRMU, so that the time limitations are consistently tracked and used by all sponsors working with a grantee. Generally speaking, if a participant is in need of rental assistance beyond the 21-week period, they should be receiving regular long-term rental assistance, rather than STRMU. CPD Notice 06-07 describes in detail acceptable ways to calculate the 21-week STRMU use period.

Defining the 52-week period: The sponsor can determine how it defines a year in one of three ways.

1. Based on the calendar year;
2. Based on the project's operating year; or
3. Based on a particular participant's year (one year from the day the participant begins receiving assistance).

The sponsor should choose one method to use for all participants.

Calculating the 21 weeks of assistance: There are 3 methods for calculating the 21 weeks of assistance for individual participants:

1. Calendar days of assistance: This method would be equal to the actual days for which housing and/or utility payments are made on behalf of the participant household. The limit of 21 weeks is equated to 147 days of assistance in the year. Example #1: If a total utility bill was paid and the service period was April 17-May 16, 14 days would be attributed to April and 16 days to May. Example #2: If a portion of the utility bill was paid, the days would be counted based on the amount that was paid by STRMU (e.g., total bill for April 17-May 16 (30 days)) is \$148.00. Agency agrees to pay \$100. Divide \$148 by 30 days, which equals \$4.93 per day. The \$100 payment divided by \$4.93 per day equals 20.3 days (rounded to 20 days) assisted by STRMU.
2. Rounding a month to 4 weeks: This method rounds each month to four weeks, allowing for up to 21 weeks in the benefits period. Rental and mortgage costs generally cover a calendar month period consisting of slightly more than four full weeks. This method allows for 5 months and one week of assistance as the limit, regardless of the number of days in those months.

Example: A rental period of June 1-June 30 is rounded down to 4 weeks. If payment was made for 75% of a month's rent, it would be tracked as 3 weeks; 50% of a month's rent would be tracked as 2 weeks, and 25% of a month's rent would be tracked as 1 week.

Monthly utility service periods generally do not coincide with rent or mortgage periods, rather they likely span parts of 2 calendar months (e.g., May 7-June 6). When assisting only with utility costs, the monthly assistance period is rounded down to 4 weeks of STRMU support. Example: A utility period of May 7-June 6 is rounded down to 4 weeks. If payment was made for 75% of a utility bill, it would be tracked as 3 weeks; 50% of a utility bill would be tracked as 2 weeks, and 25% of a utility bill would be tracked as 1 week.

If both a housing bill and utility bill are paid to address the household's STRMU need, but the dates of service do not coincide, the benefit period would be calculated as follows: Count this overall assistance as one month (4 weeks) if at least 14 days of the utility period coincide with the rent/mortgage period. In situations where less than 14 days coincide, the remaining portion of the utility period will be attributed to the next month for tracking purposes. Example #1: A rental period of May 1-31 is rounded down to 4 weeks. The utility period of May 7-June 6 results in 25 days coinciding with the rental period; therefore, a total of 4 weeks is counted in May for the payment of both rent and utilities. Example #2: If the utility bill had coincided with the May rental period for less than 14 days (e.g., May 20-June 19, equaling 12 days rounded up to 2 weeks in May), part of this assistance (19 days) would be attributed to June, as 3 additional weeks of assistance added to the 4 weeks attributed to May for rent assistance.

3. Counting full and partial weeks: This method tracks 21 weeks of assistance based on 52 weeks per year, divided by 12 months, rounded to 4.3 weeks per month. A full month's rent would be tracked as 4.3 weeks; 75% of a month's rent would be tracked as 3.2 weeks, 50% of a month's rent would be tracked as 2.2 weeks, and 25% of a month's rent would be tracked as 1.1 weeks of assistance.

Monitoring Procedure

On-site monitoring: Meet with the STRMU program administrator to review how the agency calculates assistance and tracks participant usage of STRMU. Spot check

participant files to ensure that time limitations are consistently and accurately enforced. Verify that payments were not made on behalf of participants beyond the 21-week period (unless as approved through a waiver).

Case Management and Permanent Housing Plan

In connection with STRMU assistance, does the sponsor conduct housing assessments, create housing plans, and provide supportive services?



Discussion

STRMU payments serve as a tool to bridge a household from crisis to temporary or permanent stability and increased self-sufficiency, especially in concert with other resources. In providing STRMU or other HOPWA housing assistance, the sponsor should conduct individual housing assessments and create housing plans with participants, with the goal of promoting long-term housing stability. This will help determine if the participant is in need of short-term or longer-term rental assistance. This assessment and planning should also include the development of a realistic stabilization plan that addresses both short-term and long-term housing needs. In some cases, the STRMU emergency assistance will assist the participant with their current housing situation as they look for alternatives (such as more affordable or appropriate units), or are on waiting lists for permanent housing support. HOPWA requirements for the STRMU program [24 CFR 574.330(e)] state that the STRMU program should offer eligible participants case management services from the appropriate social service agencies.

The sponsor should track the assessment of housing needs, case planning, and the provision of case management support. Case files should document these activities. The sponsor's reports to the grantee should include housing stability results. The sponsor's report helps the grantee assess if its programs are meeting housing stability goals.

Monitoring Procedure

On-site monitoring: Review a sample of participant files to determine if housing assessments and plans are consistently completed and connections are made

to care and support. The participant file should be current and related long-term housing plans should be updated as payments and other assistance is provided. Review outcome data from the sponsor's report to verify that activities promoting planning and stability are accurately reported. The sponsor should track assessment, case planning, and the provision of case management support. Case files should document these activities. The sponsor's reports to the grantee should include annual housing stability results.

Time Limit Waivers and “Good Faith Effort” to Place in Permanent Housing

If other assistance is not available and a waiver of the time limit has been requested, has the sponsor demonstrated a ‘good faith effort’ to provide opportunities for placement in permanent housing?

Discussion

HUD can consider a waiver for the 21-week time limitation on a case-by-case basis. However, this action has a number of procedural steps and should be considered deliberately when looking for other options. The sponsor should advise their grantee well in advance of any need for a waiver request to HUD. The grantee, in turn, should be in contact with their local HUD Field Office representative to consider and discuss the waiver process. Ultimately, HUD's Assistant Secretary for Community Planning and Development considers all waivers for approval, with the concurrence of the Office of General Counsel (OGC). The Office of HIV/AIDS Housing will provide support for the Assistant Secretary's consideration of the STRMU waiver request and will help process all requests with concurrence by OGC. Additional guidance regarding waiver requests can be found in CPD Notice 06-07.

Monitoring Procedure

Not applicable.

SECTION 2: SHORT-TERM SUPPORTED HOUSING

Short-Term Housing Time and Size Limits

If HOPWA funds are used to support short-term facilities, such as overnight shelters, does the sponsor comply with the time limit and size limits?

Discussion

The statute does not provide for the use of HOPWA for ongoing residence in emergency shelters. HUD has other programs that localities can use to develop solutions to local emergency shelter needs. However, under 24 CFR 574.330, grantees and sponsors can use HOPWA funds to provide temporary shelter to eligible individuals.

There are two limitations on the provision of this kind of short-term housing assistance. A HOPWA funded short-term supported housing facility:

- May not provide residence to any individual for more than 60 days during any six-month period;
- May not provide shelter or housing at any single time for more than 50 families or individuals.

Note: sponsors are not required to calculate and charge participants rent payments in connection with short-term supported housing.

Monitoring Procedure

On-site monitoring: For sponsors using HOPWA to provide temporary shelter to eligible persons, review participant and program records to ensure that the sponsor is meeting time and size limit requirements.

Case Management and Permanent Housing Plan

In connection with short-term assistance, does the sponsor conduct housing assessments, create housing plans, and provide supportive services?



Discussion

By design, the intended purpose of short-term assistance is to address immediate housing needs and provide support that prevents or reduces the pressing risks of homelessness for recipients and assists them in securing long-term, stable housing. HOPWA regulations require that individuals or households assisted with short-term assistance will be given the support necessary to work towards this goal. The sponsor providing short-term assistance should have guidelines for conducting housing assessments and creating housing plans, with the goal of promoting long-term housing stability.

At intake, the sponsor should complete a comprehensive housing needs assessment with each applicant in order to determine whether the participant is in need of emergency or long-term rental assistance. This assessment and planning process should also include the development of a realistic housing stabilization plan that addresses both short-term and long-term participant housing needs.

The sponsor should document that it conducts housing assessments with participants, creates housing plans for them, and connects them to case management and support. The sponsor's reports to the grantee and the sponsor's case files should document these activities. The outcome goals of a short-term program are to increase housing stability and improve access to health care and other support through other public and private resources.

Monitoring Procedure

On-site monitoring: Review a sample of participant files to determine if the sponsor is completing housing assessments and plans and if they are making connections to care and support. The sponsor should update participant files and, when needed, long-term housing plans as payment and assistance are provided. The monitor should review outcome data from the sponsor's report to verify the sponsor is accurately reporting information about activities that promote planning and stability.

Chapter Checklist

Short-Term Housing Assistance		
Section 1: Short-Term Rent, Mortgage, and Utilities Assistance		
* Documentation of Need		
Does the sponsor document participant need for STRMU assistance?		YES
		NO
* Time Limits		
Is the sponsor consistently and accurately enforcing HUD-established time limits for STRMU?		YES
		NO
* Case Management and Permanent Housing Plan		
In connection with STRMU assistance, does the sponsor conduct housing assessments, create housing plans, and provide supportive services?		YES
		NO
Time Limit Waivers and 'Good Faith Effort' to Place in Permanent Housing		
If other assistance is not available and a waiver of the time limit has been requested, has the sponsor demonstrated a 'good faith effort' to provide opportunities for placement in permanent housing?	NOT APPLICABLE: Sponsor has not requested any waivers of the 21-week time limit.	YES
		NO
Section 2: Short-Term Supported Housing		
Short-Term Housing Time and Size Limits		
If HOPWA funds are used to support short-term facilities, such as overnight shelters, does the sponsor comply with the time limit and size limit?		YES
		NO

*** Case Management and Permanent Housing Plan**

In connection with short-term assistance, does the sponsor conduct housing assessments, create housing plans, and provide supportive services?

YES

NO

Facility-Based Housing Assistance

In addition to STRMU housing assistance and ongoing tenant-based rental housing assistance, HOPWA funds can also be used in connection with a specific housing project or housing facility. This is usually called ‘project-based’ or ‘facility-based’ housing assistance. HOPWA can be used for a variety of facility-based assistance, such as:

- Facility-based housing rental assistance, including master-leased units and project-based rental assistance;
- Operating costs for housing including maintenance, security, operation, insurance, utilities, furnishings, equipment, supplies, and other incidental costs;
- Capital funds for the acquisition, rehabilitation, conversion, lease, and repair of facilities to provide housing and services; and
- Capital funds for the new construction of single-room occupancy units or community residences.

Many of the program-wide elements discussed in Chapter 3 and the housing assistance elements in Chapter 4 are relevant for project-based activities, including eligibility documentation, the Faith-Based Final Rule, Fair Housing and ADA requirements, rent calculation, fee prohibition, confidentiality procedures, and termination policies.

There are additional requirements that only apply to facility-based housing assistance. Facility-based supportive housing assistance is one of the HOPWA program’s unique elements, providing resources to develop and operate community residences and other supportive housing for a special needs population. The intention of the legislation that created the HOPWA program was to allow for the development of supportive housing that could serve as an alternative to skilled nursing facilities. With facility-based housing, the expectation is that participants will be in need of some level of supportive services in order to maintain stability and receive appropriate levels of care. HOPWA regulations require the sponsor to certify that they will give residents an adequate level of support and work with qualified service providers, accessing such support in an ongoing manner.

Chapter Organization

Each section in this chapter relates to the type of facility-based activity for which a sponsor is using HOPWA. The material in the first section applies to all facility-based activities. The next section applies to development projects involving rehabilitation or new construction, and the final section applies to community residences.

Key monitoring items:

- * Supervision of care and support
- * Rent calculation
- * Prohibition against fees
- * Agreements and funding for service providers

Other monitoring items:

- Housing quality standards
- Satisfactory construction (Rehab or new construction)
- Timely occupancy (Rehab or new construction)
- Tracking of minimum use periods (Rehab or new construction)
- Energy Star program (Rehab or new construction)

Data sources will include participant records, program policies and procedures, sponsor administrative records, and development project records.

SECTION 1: ITEMS TO MONITOR FOR ALL FACILITY- BASED ACTIVITIES

Supervision of Care and Support

Does the HOPWA-assisted project have adequate residential supervision to ensure that housing and supportive service standards are met, individual participant service needs are evaluated, and services delivered are appropriate to their needs?



Discussion

One of the primary goals for the HOPWA program is that participants in HOPWA services will increase their access to care and support, especially in relation to their HIV disease. HOPWA program performance outcomes measure the extent to which sponsors are successfully connecting participants to care. In providing an alternative to more intensive care, facility-based housing projects should ensure that participants' needs are assessed and that participants are being connected to medical and supportive care. The sponsor should document the conducting of participant need assessments, the development of housing and service plans, and the provision of supportive services.

Providing adequate care and support has a few key components: The sponsor should regularly assess the housing, medical, and support needs of participants. The sponsor should either directly provide case management and other supportive services or have formal arrangements with other organizations to do so. Program management and supervision should be in place to ensure that these standards are being met. The sponsor should provide adequate supervision to project staff persons, including clinical supervision when appropriate.

Monitoring Procedure

On-site monitoring: Consistent with confidentiality standards, review sample participant files, looking for documentation that the sponsor is assessing need and

developing service plans related to housing and care. Discuss the program's management (including participant need assessment, intake, and eligibility determinations) with its director: Is supervision and training regularly provided to the staff? Are there written policies and procedures for the program? Is the program managed sufficiently to ensure that participants are being connected appropriately to care and support? Are participant needs adequately assessed? Are arrangements in place to provide adequate levels of care for participants?

Habitability Standards

Are habitability standards being monitored and met for the project?

Discussion

HOPWA regulations require that facility-based projects including community residences meet the same housing quality standards described in Chapter 4. Consult that chapter for a detailed description of housing quality standards for the HOPWA program. Each unit supported with HOPWA funds must pass a housing quality inspection to ensure the housing provided is safe and sanitary and in compliance with local and state housing codes, licensing standards, and any other jurisdictional requirements, as well as the HOPWA program habitability standards outlined in 24 CFR 574.310(b). Prior to occupancy, the sponsor must inspect and approve each unit. The sponsor should conduct inspections annually. The sponsor staff member performing the inspection need not have any specific training.

Monitoring Procedure

On-site monitoring: Visually inspect the facility-based housing for compliance with HOPWA habitability standards. Review the sponsor's own housing quality inspection reports. The sponsor should inspect the facility or units annually and update the inspection checklist accordingly. With the program director, discuss the procedures that the sponsor has in place for annually updating the housing quality checklist for each facility or unit.

Rent Calculation

Are resident rent payments accurately calculated and re-examined at least annually, with adequate supporting documentation in participant files, including income verifications?



Discussion

Residents living in HOPWA-funded facilities such as community residences are subject to the same rent calculations as those receiving HOPWA tenant-based rental assistance. Residents must be charged rent as a percentage of their adjusted annual income and provide the required documentation to verify eligibility and calculate the rental payment. The tenant must pay a portion of the rent, and the gross rent being charged must be reasonable in relation to rents currently being charged for comparable units in the private unassisted market.

Chapter 4 describes the procedure for calculating resident rent payments in detail. Consult that chapter for more information.

Monitoring Procedure

On-site monitoring: Review a sample of participant files and check to see that rent calculations were made according to the method described in Chapter 4.

Prohibition Against Fees

Are projects charging participant rents as the only participant fee?



Discussion

HOPWA-funded programs cannot charge any fees in addition to rent (calculated as described above) to residents in order to pay for program operations or supportive services related to the care of residents. Some community residences might make arrangements to provide food or other amenities (e.g., cable television, phone service) in common. In these cases, residents can be asked to contribute towards these optional non-HOPWA activities. Use of such services should be optional and

not a requirement for residency. With the exception of nutritional and direct operational costs (e.g., utilities, facility-leasing, and maintenance), HOPWA monies should not be used for such amenities either. Utilities can be charged to residents as part of their rent or separate from rent (e.g., when units are metered separately). However, if utilities are separated, the calculated rent portions must be adjusted to include a reasonable utility allowance and the utility payment requirement must be a part of their occupancy agreement. See the discussion in Chapter 4 for explanations of rent calculation and making allowance for utility costs.

Monitoring Procedure

On-site monitoring: Review any program-related fees charged to participants with the sponsor, ensuring that the only fees required are rent payments for essential costs as calculated above, including utilities when applicable. Review the program's participant policies and procedures or house rules. With the sponsor's fiscal manager, review program income from participants, verifying that no fees other than rent are collected.

SECTION 2: ITEMS TO MONITOR FOR REHABILITATION OR NEW CONSTRUCTION

Satisfactory and Cost-Effective Development

If a HOPWA-funded project included construction, rehabilitation, repair, or conversion, was the work performed in a satisfactory and cost-effective manner, following development standards, including environmental clearances in advance of disbursement, resident relocation, and adherence to lead-based paint requirements?

Discussion

Grantees can authorize the use of HOPWA monies for the construction, rehabilitation, repair, and conversion of real estate property for use by HOPWA-eligible households, though this happens infrequently. Some basic but complex standards apply to such development projects. It is highly advisable to ask HUD for advice on environmental requirements, if any development plans may lead to activities that could trigger an environmental review. Clearance actions must occur before any costs are incurred or funds committed to covered activities.

Based on the requirements in applicable OMB Circulars (discussed in more detail in Chapter 9), the sponsor is responsible for oversight and management of sub-contracted work of construction and rehabilitation work and the grantee is responsible for monitoring that oversight. For construction and rehabilitation projects, the sponsor should follow general project management standards. This includes checking project plans and specifications, reviewing contractor invoices, inspecting work for adherence to approved plans, ensuring compliance with building codes, and monitoring contractor conformance with relevant federal requirements.

Unless they have substantial in-house expertise, sponsors overseeing construction or rehabilitation work should hire a qualified development consultant to manage the project for them. A development professional will be familiar with relevant proj-

ect standards, housing codes and federal regulations. The grantee should ensure in advance that the sponsor has the capacity to manage a development project adequately. This can include requiring that the sponsor hire a development specialist as a consultant. The grantee should directly review and approve detailed development project plans in advance of authorizing and obligating HOPWA funds for use by the sponsor for development.

The HOPWA regulations require compliance with the National Environmental Policy Act (NEPA), meaning that construction and rehabilitation projects will have to go through an environmental review before a grantee can commit funds to the project or expend HOPWA or other funds. The purpose of this review is to ensure that federal monies are used for capital development only for properties free of major hazards and environmental problems. The environmental review process is the responsibility of the grantee and should be part of the grantee's grant-making and fund commitment process with the sponsor. Monitoring of NEPA compliance will be in the original commitment of HOPWA funds by the grantee to the sponsor for development.¹ NEPA implementation regulations for HUD programs can be found at 24 CFR 50.

The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) applies to properties acquired using HOPWA monies. The URA was enacted to safeguard existing residents in acquired property from being abruptly displaced. In general, HOPWA grantees and sponsors should minimize the displacement of existing tenants when acquiring property. Grantees and project sponsors must assure that they have taken all reasonable steps to minimize the displacement of persons (including families, individuals, businesses, non-profit organizations, and farms) as a result of acquiring property. If applicable, the sponsor will be responsible for relocation costs, including rental costs in a new unit for a period of time.

Before a sponsor can receive HOPWA monies for the acquisition of property, it must assure the grantee that it will comply with the URA and its implementing regulations, which can be found at 49 CFR 24. The cost of required relocation assistance is an eligible project cost in the same manner and to the same extent as other project costs. Relocation costs also may be paid for with funds avail-

¹For more information, consult HUD's Handbook Number 1390.5, "Environmental Policy for Housing Opportunities for Persons with AIDS (HOPWA) Program," available at <<http://www.hudclips.org/>>.

able from other sources. The sponsor must maintain records in sufficient detail to demonstrate compliance with these provisions. HUD Handbook 1378, the Tenant Assistance Relocation and Real Property Acquisition Handbook, contains detail regarding the implementation of the URA.²

The Lead-Based Paint Poisoning Prevention Act also applies to HOPWA housing activities, including the construction and rehabilitation of property. The Act's implementation regulations can be found at 24 CFR 35. These regulations will apply to HOPWA facility-based assistance a) when HOPWA is used for rehabilitation, b) when it is used for project-based rental assistance and c) when it is used for acquisition or leasing of a facility. For rehabilitation activity, Subpart J of Part 35 applies; for acquisition, Subpart K.

For rehabilitation activity, the key requirements of the Lead-Based Paint Act are triggered by the amount of HOPWA and other federal capital assistance provided per unit in the rehabilitation of property originally constructed before 1978, when lead-based paint was banned. For projects that receive \$25,000 and up in per unit assistance, the abatement of lead-based paint in the property is required. If per unit assistance is between \$5,000 and \$25,000, then interim controls to contain lead-based paint are required. If under \$5,000 in federal monies are used per unit, then safe work practices for workers during rehabilitation are required. 24 CFR 35 describes standards and definitions for each of these levels of protection and abatement in detail. For the acquisition of property using HOPWA funds, the sponsor is only required to stabilize existing lead-based paint. The requirements in Part 35 do not apply to projects that either only contain SRO or zero-bedroom units or are designated and assigned exclusively for use by elderly or disabled adults.

Monitoring Procedure

Remote monitoring: When granting HOPWA funds to a sponsor for development activities, the grantee should thoroughly review the project for soundness in terms of development standards and for compliance with federal standards, including NEPA, URA, and the Lead-Based Paint Poisoning Prevention Act. During construction and rehabilitation projects, the grantee should review progress and compliance regularly, especially in connection with draw-down requests from the sponsor or its construction agents.

²Guidelines can be found online at:
<<http://www.hud.gov/offices/cpd/library/relocation/policyandguidance/handbook1378.cfm>>.

On-site monitoring: Site monitoring for development activities should occur during the construction or rehabilitation process. Review project records for compliance with the requirements discussed above.

Timely Occupancy of New Projects

Were projects occupied by residents in a timely manner during the monitoring review period and based on approved development plans, with no more than 5% of the units remaining vacant at any given time?

Discussion

The timely occupancy of any housing project, whether at start-up or on an ongoing basis, is an important indicator of the successful marketing and management of a housing program. For a new project, units should come available in a timely manner following the project's approved development and occupancy plan.

Monitoring Procedure

Remote monitoring: Build reasonable timelines and benchmarks into contracts or grant agreements for development projects. Track the completion of units and occupancy rates of a project. Discuss progress with the sponsor, as appropriate, identifying barriers to completion and occupancy. When feasible, perform a site visit to review performance and program occupancy.

Tracking and Enforcement of 'Minimum Use Periods'

Does the sponsor track, enforce, and comply with the 'Minimum Use Periods' for development activities related to acquisition, conversion, lease, and repair of facilities to provide housing and services?

Discussion

HOPWA regulations require that housing units that are developed using HOPWA

monies be set aside for HOPWA-eligible persons for set periods. These are called 'minimum use periods' (also called 'stewardship requirements'). The length of time that a unit is obligated for use by HOPWA-eligible persons depends on the level of assistance provided in the original development.

There are two levels of housing rehabilitation for determining minimum use under HOPWA regulations. Non-substantial rehabilitation means rehabilitation that involves costs that are less than or equal to 75% of the value of the building after rehabilitation. Substantial rehabilitation means rehabilitation that involves costs in excess of 75% of the value of the building after rehabilitation. For units developed with a non-substantial level of rehabilitation or repair, there is a 3-year minimum use requirement. For substantial rehabilitation, the period is not less than 10 years. Rehabilitation means the improvement or repair of an existing structure, or an addition to an existing structure that does not increase the floor area by more than 100%.

HOPWA capital monies are expended by the sponsor and drawn-down by the grantee only for actual costs; expenditures end when the development activity is complete. The grantee, however, will need to track the use of the unit in operating years that follow completion of the project. The grantee is responsible for ensuring that the sponsor continues to assist HOPWA-eligible persons. The grantee is responsible for gathering annual certifications from the sponsor regarding continued use and including this certification in its annual report to HUD (see the current HOPWA APR/CAPER forms for certification detail).

The original agreement between the grantee and the sponsor for the development of HOPWA units should state the minimum use period for a project. Capital projects that receive HOPWA monies should have a restrictive covenant recorded on the property in a manner that is consistent with the grant agreement and applicable state and local laws. The restriction should run for at least the minimum use period as described above. Beginning in 2007, grantees must use a Declaration of Restrictive Covenant in connection with development projects that records the required use with applicable property transactions (this Declaration form is included with the 2007 HOPWA Operating Instructions).

Monitoring Procedure

Remote monitoring: Gather annual use data and ongoing use certifications from the sponsor, using relevant sections of the HOPWA CAPER or APR report. Further, if

a property transaction results in program income for the sponsor, confirm that the proceeds were used to further eligible HOPWA program objectives and are shown in annual performance reports as leveraging used for HOPWA-related activities.

On-site monitoring: The monitor should examine sample participant files for documentation that set-aside units still under minimum-use obligations are being used for HOPWA eligible persons. Verify that a restriction is in place on the use of the property for eligible HOPWA recipients.

Energy Star

Is the sponsor familiar with HUD's Energy Star program and its commitment to promoting the use of energy-efficient products and practices when funding rehabilitation or construction of new housing?

Discussion

HUD encourages all projects involving rehabilitation or new construction to undertake activities that prolong the use of energy efficient residences for low-income persons. One way this can be accomplished is to incorporate Energy Star-qualified products and practices when conducting rehabilitation or constructing new housing. Energy Star products and services:

- Lower utility bills
- Improve comfort
- Increase project value

The Energy Star program is a collaboration between HUD, the Environmental Protection Agency, and the Department of Energy to promote energy efficiency in homes, multi-family housing, schools, businesses, government, and manufacturing. For the construction or rehabilitation of housing, the program has developed a wide range of products and technical specifications for use by funders and contractors. Such specifications are readily adaptable for use by grantees in their grant-making or procurement processes. The grantee should consider including Energy Star compliance stipulations in their grant-making process for HOPWA development projects.³

³More information can be found at <<http://www.energystar.gov/>>.

Monitoring Procedure

Remote monitoring: Consider incorporating Energy Star standards into all capital and facility operation projects that will receive HOPWA funds. Discuss the Energy Star program with the sponsor, discuss opportunities for implementing Energy Star products and services, and provide resources if needed, as well as promote the use of Energy Star with sponsors.

On-site monitoring: If the grantee requires Energy Star standards as part of a development project or in the operating of a facility, the grantee should review work plans and results with the sponsor in order to verify compliance.

SECTION 3: ITEMS TO MONITOR FOR COMMUNITY RESIDENCES

Agreements and Funding for Service Providers

Does the sponsor have agreements in place with qualified service providers for the provision of services at a community residence and do these agreements demonstrate adequate funding and sufficient capacity to provide services?

**Discussion**

A community residence is defined by the HOPWA regulations as:

A multi-unit residence designed for eligible persons to provide a lower cost residential alternative to institutional care; to prevent or delay the need for such care; to provide a permanent or transitory residential setting with appropriate services to enhance the quality of life for those who are unable to live independently; and to enable such persons to participate as fully as possible in community life (24 CFR 574.340(a)).

As an alternative to institutional care, HUD expects that a community residence will provide a substantial level of care to its residents either directly or off-site with support from the program. This care may come from the sponsor or be provided by other organizations in the community through service agreements.

As part of the original agreement between a grantee and a sponsor managing a community residence, the sponsor must ensure that it will provide services to eligible persons under the definition of community residences. The sponsor must also ensure that:

- It has assessed the levels of care needed for its target population;
- It has acquired sufficient funding overall to provide necessary services; and
- Either the sponsor or its contracted providers have the qualifications and capacity to provide the necessary level of care, including the ongoing assessment of changes in the appropriate level of care for participants.

The grantee should keep documentation of compliance with these requirements in their grant records.

Monitoring Procedure

Remote monitoring: Incorporate certifications regarding assessment of need, adequacy of funding and capacity to provide care into the agreement with the sponsor.

On-site monitoring: Review these items with the sponsor, verifying that the assessment is up-to-date, that the sponsor has adequate funding to provide the necessary level of care, and that the sponsor and its collaborators have the capacity to meet the needs of participants, including changes in need over time.

Chapter Checklist

Facility-Based Projects (Community Residences)	
Section 1: Items to Monitor for All Facility-Based Activities	
* Supervision of Care and Support	
Does the HOPWA-assisted project have adequate residential supervision to ensure that housing and service standards are met, individual participant service needs are evaluated, and services delivered are appropriate to their needs?	YES
	NO
Habitability Standards	
Are habitability standards being monitored and met for the project?	YES
	NO
* Rent Calculation	
Are resident rent payments accurately calculated and re-examined at least annually, with adequate supporting documentation in participant files, including income verifications?	YES
	NO
* Prohibition Against Fees	
Are projects charging participant rents as the only participant fee?	YES
	NO
Section 2: Items to Monitor for Rehabilitation or New Construction	
Satisfactory and Cost-Effective Development	
If a HOPWA-funded project included construction, rehabilitation, repair or conversion, was the work performed in a satisfactory and cost-effective manner, following development standards, including environmental clearances in advance of disbursement, resident relocation and adherence to lead-based paint requirements?	YES
	NO

Timely Occupancy of New Projects	
Were projects occupied by residents in a timely manner during the monitoring review period and based on approved development plans, with no more than 5% of the units remaining vacant at any given time?	YES
	NO
Tracking and Enforcement of 'Minimum Use Periods'	
Does the sponsor track, enforce, and comply with the 'Minimum Use Periods' for development activities related to acquisition, conversion, lease, and repair of facilities to provide housing and services?	YES
	NO
Energy Star	
Is the sponsor familiar with HUD's Energy Star program and its commitment to promoting the use of energy-efficient products and practices when funding rehabilitation or construction of new housing?	YES
	NO
Section 3: Items to Monitor for Community Residences	
* Agreements and Funding for Service Providers	
Does the sponsor have agreements in place for the provision of services at a community residence, with qualified service providers, and do these agreements demonstrate adequate of funding and sufficient capacity to provide services?	YES
	NO

Supportive Services, Housing Information, and Permanent Housing Placement

The HOPWA program was established to address the housing needs of persons living with HIV and AIDS. The original ‘AIDS Housing Opportunity Act’ recognized that supportive services are important tools in helping program participants to stabilize their living situations and help address care needs of persons living with HIV infection. Both the Act and HOPWA program regulations allow HOPWA grantees to include supportive services in their housing-related projects, subject to some limitations. Indeed, a key HOPWA outcome measure in annual performance reports is improved access to care and support.

The range of services that are eligible as activities under the HOPWA program is broad. Program regulations at 24 CFR 574.300(b)(7) include the following types of supportive services activities:

Health, mental health, assessment, permanent housing placement, drug and alcohol abuse treatment and counseling, day care, personal assistance, nutritional services, intensive care when required, and assistance in gaining access to local, State and Federal government benefits and services.

Program reporting guidance also clarifies types of eligible services. As detailed in program performance reports, eligible activities also include child care, education, employment assistance, legal, life skills management, outreach, and transportation. The flexibility that eligible supportive services offers to grantees and sponsors in designing HOPWA projects is an important part of the program.

Despite this flexibility, HUD has some clear limitations on what it considers to be eligible services. In order to have this activity properly reviewed by the grantee and properly reported to the grantee for annual reporting purposes, the sponsor will need to adequately track supportive service activities, document related expendi-

tures, and keep these limitations in mind.

The primary goal of the HOPWA program is to provide housing assistance to eligible households. In general, the emphasis of HOPWA programs should be on housing assistance, rather than supportive services. In fact, for competitive HOPWA grants, HUD caps supportive services expenditures at 35% of the overall cost of a program. Services provided with HOPWA funds should focus on supporting the housing stability of program participants.

Chapter Organization

Key monitoring items:

- ✱ Adequate documentation of supportive services activities
- ✱ Compliance with health care expense limitations

Other monitoring items:

- Tracking and reporting of supportive services detail
- Proper categorization of housing information and permanent housing placement activities and costs

Data sources will include billing records and performance reports.

Tracking and Reporting of Detail

Does the sponsor track the delivery of supportive services in detail sufficient to adequately categorize and report them to the grantee?

Discussion

Given the flexibility around the use of HOPWA to design supportive services in connection with housing activities, it is important that the project sponsor carefully track details of these activities. This will help the sponsor document their eligibility and properly bill for and report them. As discussed in Chapter 3, this will include documentation assessing unmet needs, the provision of care and support to meet those needs, adequate protection of confidentiality, and (as will be discussed in Chapter 9) adherence to cost principles related to providing services.

To monitor the sponsor, the grantee needs sufficiently detailed information in order to determine if supportive services provided are eligible HOPWA activities (as authorized in the grant agreement), if they are appropriate to the needs of participants, and if the participants are eligible to receive these services. Proper tracking will also help the sponsor and the grantee evaluate the project's performance through regular reports.

Detailing the types of services provided and outcomes achieved gives the grantee and HUD a better picture of the needs for persons with HIV and AIDS. It helps them see how different services connect with housing stability. This information also helps HUD inform the public about how it spends HOPWA monies around the country. Further, while participants may prefer independent living arrangements, some may need on-site support offered in community residences and other types of supportive housing settings. Transitional housing programs generally involve a service package of support and counseling to prepare participants to return to other, more permanent housing arrangements.

In connection with more than a dozen specific supportive service sub-activities included in the annual reporting format for the HOPWA program, grantees will need to be able to show:

What Are Eligible HOPWA Supportive Services?

Eligible activities are listed in the standard HOPWA performance reports:

- Adult day care and personal assistance
- Alcohol and drug abuse services
- Case management/advocacy/coordination of benefits
- Child care
- Education
- Employment assistance and training for persons living with HIV/AIDS
- Health and medical services [with restrictions described in 574.310(a)2 and in grant agreements]
- Legal services
- Life skills management
- Nutritional services (including meals)
- Mental health services
- Outreach
- Transportation
- Other activities for supportive housing services (with prior HUD approval)

Note: permanent housing placement and housing information services are also designated as supportive services in the reporting forms, but as separate budget line items.

- How many eligible households received the specific service;
- How much the sponsor spent on the specific service category; and
- The value of other non-HOPWA funds brought into the project ('leveraged') for this activity.

In order to report this level of detail to the grantee, the sponsor will need to track the delivery of HOPWA-funded services in detail throughout the project's operating year. This will also enable the sponsor to track client outcomes in improved access to care for the beneficiaries of HOPWA housing assistance and for any clients receiving case management support who benefit from other housing support.

In every case, performance reporting generated by a sponsor should avoid lumping supportive service activity into the 'Other' category for billing and report. If HOPWA-funded services are being reported by the sponsor under 'Other,' the grantee should work with the sponsor to re-categorize those activities into allowable categories. This catch-all category should only be used by the sponsor (and grantee) for specific activities that are not covered by the other categories and that have been specifically approved by HUD for supportive housing purposes in relation to the grantee's competitive or formula grant. The use of the 'Other' category for anything other than approved activities may indicate inadequate tracking of activities and poor project management.

Sponsors should track other resources leveraged for their HOPWA projects, such as support provided to access mainstream health care and human service programs. This can also include leveraged non-HOPWA funded rental assistance. For example, if a project combines HOPWA funded supportive services with Shelter Plus Care rental assistance for eligible participants, the sponsor should track and report leveraged rental assistance, for reporting in connection with HOPWA services.

Monitoring Procedure

Remote monitoring: The grantee's agreement with the sponsor should contain a scope of service or work that details specific HOPWA-funded supportive services to be offered by the sponsor. Review the sponsor's regular or annual reporting and verify that it includes specific performance and expenditure information regarding supportive services.

On-site monitoring: Based upon the scope of planned activities, review the sponsor's performance reports and invoices for adequate tracking of specific support-

ive service activities.

Adequate Documentation of Supportive Services Activities

Does the sponsor have adequate documentation of supportive service activities, in order to back up reporting and demonstrate the eligibility of recipients, conformance with the grant agreement, adequacy of levels of need, and the eligibility of the activity itself?



Discussion

The sponsor should have records that demonstrate that funds have been used for eligible participants and activities. For the adequate documentation of supportive services, a sponsor should be able to show that:

- Recipients of supportive services were eligible, as defined by HOPWA regulations;
- The activity itself is an eligible HOPWA activity;
- The services were adequate and appropriate for the level of support required by participants;
- The activities conform with the sponsor's grant agreement, such as limits on health care; and
- Records of supportive services back up the beneficiary data and expenditures reported to the grantee.

Eligible Recipients: In Chapter 3, we discussed the verification of participant eligibility for HOPWA assistance. In general, HOPWA-funded supportive services can be provided to income-eligible persons with HIV and AIDS and their family members. However, as noted in the HOPWA regulations, *health services may only* be provided to “individuals with acquired immunodeficiency syndrome or related diseases and not to family members” (24 CFR 574.300b(7)). Such payments must only be for costs that could not be covered by other sources, such as health care insurance, including AIDS Drugs Assistance Programs (ADAP) and private care programs providing drug benefits. The sponsor should document reasonable efforts to qualify recipients for other programs that might pay for health care costs shown

in the client's Individual Housing Service Plans that demonstrate grantees are conducting required on-going assessments of the housing assistance and supportive services required by participants, under 24 CFR 574.500. If the sponsor has provided payments for uncompensated health services, the grantee should verify that only eligible persons have received them through a random review of files for participants who received health services. Eligible uncompensated health care costs are discussed in more detail below.

Eligible Activities: The flexibility built into the range of eligible HOPWA supportive services under this activity is a blessing and a curse for grantees and sponsors. The good part is the flexibility that grantees and sponsors have to adapt their project to local needs and gaps in services. The tough part is that both the grantee and the sponsor need to understand the limits of this flexibility. While HOPWA acknowledges the importance of combining housing assistance with other supports, HOPWA funds can only be used for eligible activities related to housing needs.

In creating their grant agreement the grantee and the sponsor should clarify the nature and scope of the supportive services that will be offered as part of a housing stabilization plan through their HOPWA project. This is important because the sponsor should be offering services in a well-thought out and planned way. The list of eligible activities may be broad but a sponsor should be providing a specific set of services in a thoughtful way. In monitoring supportive service activities, the grantee should review the sponsor's reported activities in the context of the scope of services outlined in its agreement with the sponsor. In cases where questions arise regarding the eligibility of a particular activity, the grantee should consult its HUD Field Office representative or a HOPWA technical assistance provider.

HOPWA regulations and OMB Circulars provide information regarding eligible supportive service activities. Grantees and sponsors should interpret the meaning of these allowed activities conservatively. For example, 'employment assistance and training' would cover job readiness training and placement assistance but it would not include buying clothes for an interview. 'Transportation' would include public transportation vouchers for medical appointments but would not include payments for the repair of a participant's vehicle. In general, sponsors should direct eligible supportive service activities towards the end of stabilizing households in their housing situation and improving access to care and support.

Monitoring Procedure

On-site monitoring: Review all of the supportive services tracked and reported by the sponsor. Verify that they are eligible HOPWA activities and that the sponsor performed them in conformance with their sponsor agreement. Review sample documentation from participant files and program records describing and supporting these activities. Sampling records should also verify that the sponsor only provided approved and appropriate services to HOPWA-eligible persons and their families.

Compliance with Health Care Expense Limitations

Does the sponsor comply with limitations on the use of HOPWA monies for health services for persons with HIV/AIDS, including the limits on purchase of pharmaceuticals? Does the sponsor adequately document efforts to secure other assistance for such costs?



Discussion

Health care is an integral part of the planning of housing stability and access to support for HOPWA participants. However, HOPWA regulations and additional HUD guidance place strong limitations on the direct use of HOPWA for health-related expenditures. Both the grantee and sponsor should be aware of these limitations. These limitations can be summarized:

- Health services can only be provided to persons living with HIV or AIDS (24 CFR 574.300b(7));
- Payments for health services can not be made to the extent that payment can come from another public or private source (24 CFR 574.310a(2));
- Payments may not be made in substitution for AIDS Drug Assistance Program (ADAP) payments;
- Any health services to be paid by HOPWA must be approved directly by HUD;
- Health-related payments can only be considered for approval on a case-by-case basis; and
- Organizations must document reasonable efforts to qualify beneficiaries for available types of health care support, including health insurance and other

programs.

These limitations are based on guidance issued by HUD in 1999, “Guidance on the Restricted Use of HOPWA Funds for AIDS Drug Assistance and Other Health Care Costs.” This document is available in the ‘Library’ section of the HOPWA program area on HUD’s website. Subsequent grant agreements have further clarified this guidance.

Monitoring Procedure

Remote monitoring: The use of HOPWA monies for health care services by a sponsor requires prior HUD approval. The grantee should incorporate such approved requests into the agreement with the sponsor. Review invoices and reports for indications that a sponsor is using HOPWA funds for health care purposes without prior approval, taking corrective action as needed.

On-site monitoring: If a sponsor has obtained approval from HUD to use HOPWA funds for a limited number of otherwise uncompensated health care costs, review participant files and financial records to verify that the sponsor used funds as approved. Verify that documentation exists that demonstrates reasonable efforts to qualify beneficiaries for other assistance programs.

Housing Information and Permanent Housing Placement Activities and Costs

Does the sponsor properly track housing information and permanent housing placement activities and housing costs (including security deposits) as separate housing support activities?

Discussion

In billing and reporting, housing information services and permanent housing placement activities are both categorized as a housing support activity. The annual performance reporting formats for competitive and formula grantees separate out housing information and permanent housing placement activities from HOPWA supportive services. This serves to highlight that these activities relate directly to the securing of stable housing for program participants in the HOPWA

program regulations.

Housing information services include assistance with referrals to affordable housing resources, assistance in locating available, affordable, and appropriate housing units, working with property owners to secure units for participants, homelessness prevention, and other housing-related activity.

Permanent housing placement services may be used to help eligible persons establish a new residence where ongoing occupancy is expected to continue. It may be used to compliment other forms of HOPWA housing assistance. For example, it can be used to adjust to changes in care needs by assisting persons transitioning from more supportive settings and programs with securing alternative housing arrangements. Costs may include fees for housing services or activities designed to assist individuals or families in locating suitable housing. This may include tenant counseling, assisting individuals and families to understand leases, secure utilities, make moving arrangements, pay for representative payee services for persons who use such services to better manage their own finances, and mediation services related to neighbor/landlord issues that may arise.

These costs, especially security deposits, are not considered rental assistance and should be billed as a supportive service. Placement costs can not exceed the value of 2 month's rent in the new unit.

Costs may also include placement costs such as application fees, related credit checks, and reasonable security deposits necessary to move persons into permanent housing, provided such deposits do not to exceed two months of rent. Further, such funds should be designated to be returned to the program when beneficiaries vacate the new unit. Returned funds should be recorded as program income and used to further program purposes. However, some items are not eligible as HOPWA permanent housing placement costs, such as costs for housing supplies, smoke alarms, standard furnishings, minor repairs to the unit associated with the move-in, and other incident-

Permanent housing placement costs can include:

- Application fees
- Credit checks
- Security deposits

These costs, especially security deposits, are not considered rental assistance and should be billed as a permanent housing placement costs. Permanent housing placement costs can not exceed the value of 2 month's rent in the new unit.

tal costs for occupancy of the housing unit. Additional guidance is provided in the CPD Notice 06-07 and the related Frequently Asked Questions (FAQ) document.¹

Monitoring Procedure

Remote monitoring: Housing information services and permanent housing placement assistance should be identified as specific and separate housing support activities in the sponsor's original agreement, as well as in regular or annual reports. If the sponsor intends to use HOPWA funds for costs such as first and last month's rent, they should be sure to separate such costs from both rental assistance and STRMU costs in tracking, reporting, and billing.

On-site monitoring: For permanent housing placement activities, note that sponsors may have been including these costs for billing and reporting as housing assistance, especially as STRMU costs or rental assistance. Actions should be taken to identify such costs and report them under the permanent housing placement budget line item. The grantee should verify with the sponsor that these costs and activities are being properly billed and reported as supportive services, rather than housing assistance. Review participant records to verify that placement assistance does not exceed the value of 2 months' rent costs.

¹These documents can be found at <<http://www.hud.gov/offices/cpd/aidshousing/index.cfm>>.

Chapter Checklist

Supportive Services, Housing Information, and Permanent Housing Placement	
Tracking and Reporting of Detail	
Does the sponsor track the delivery of supportive services in detail sufficient to adequately categorize and report them to the grantee?	YES
	NO
* Adequate Documentation of Supportive Services Activities	
Does the sponsor have adequate documentation of supportive service activities, in order to back up reporting and demonstrate the eligibility of recipients, conformance with the grant agreement, adequacy to levels of need, and the eligibility of the activity itself?	YES
	NO
* Compliance with Health Care Expense Limitations	
Does the sponsor comply with limitations on the use of HOPWA monies for health services for persons with HIV/AIDS, including the limits on the purchase of pharmaceuticals? Does the sponsor adequately document efforts to secure other assistance for such costs?	YES
	NO
Proper Categorization of Housing Information and Permanent Housing Placement Activities and Costs	
Does the sponsor properly track housing information and permanent housing placement activities and housing costs (including security deposits) as separate housing support activities?	YES
	NO

Audits Management

Grantees are ultimately responsible for all monies passed through to sponsors (including monies that a sponsor might pass through to a contractor or sub-recipient). For this reason, the grantee has a strong interest in ensuring that sponsors have adequate internal financial controls. Audit reports compiled by an auditor are one of the primary tools used by grantees and sponsors alike to help them oversee their HUD programs and ensure that the sponsor is handling funds well. If the sponsor has had an independent audit performed, then some of the grantee's work is already done, in terms of assessing the soundness of the sponsor's financial management system.

However, not all sponsors are required to perform an audit. The federal government mandates that an organization undergo an annual audit if it receives \$500,000 or more annually in federal funds. States also set thresholds for when an organization is required to perform an independent audit. [Grantees and sponsors should check with the state agency that oversees corporations (typically, the Secretary of State) for state audit requirements.] The grantee and sponsor should each be aware of these thresholds. If the sponsor does not meet either the state or federal threshold and has not had an independent audit done, then it becomes the monitor's responsibility to review the basic components of an audit. The grantee will need to determine which (if any) of its sponsors meet the audit threshold prior to the monitoring interview/visit. This will make a big difference in the scope of the grantee's oversight.

OMB Circular A-133 lays out audit requirements for any entity that receives federal funds. It requires auditors to evaluate an organization's internal control over Federal programs and to test its internal control over major programs. Each project sponsor must maintain financial records sufficient to ensure the proper accounting and disbursing of amounts received from a HOPWA grant. In relation to audit requirements, the grantee should:

- Ensure that sponsors are performing audits, if required;
- Review the audit reports and verify that they were conducted in compliance with federal regulations under OMB Circular A-133;
- Ensure the sponsor has followed-up on any audit findings; and

→ Review internal financial systems and controls for sponsors not required to perform an audit.

A program audit will review most of the financial systems and cash control elements that a grantee needs to review. When there is a ‘finding’ of non-compliance with accounting standards or the identification of an internal control weakness, the audited organization must act upon the findings, correcting balances, and adopting new policies and procedures. Program financial audits cover many of the elements discussed in the next Chapter, Financial Management and Controls. Even if a sponsor has had an audit performed, the grantee should review the major financial management elements discussed in Chapter 9.

The Office of Management and Budget regularly issues supplements to Circular A-133 that help program auditors focus on key items. These supplements can also be very helpful to grantee and sponsor management staff persons in understanding federal audit and financial systems requirements. The supplements can be especially helpful to a grantee responsible for monitoring and oversight. The supplements address a wide variety of financial management issues and lays out key indicators for everything from cash controls to eligibility documentation. In fact, the supplements informed many of the discussions in this publication. There is even a section of the supplement that specifically covers the HOPWA program.¹

Chapter Organization

This chapter primarily addresses the review of a sponsor’s audit procedures and findings. In this chapter, the monitor’s job is to ensure that the sponsor conducted an audit process according to federal regulations, and that the sponsor has tracked, resolved and reported any audit results or findings. If a sponsor does not meet the audit requirement threshold, the monitor will still need to verify that the sponsor has adequate financial management systems and internal controls in place, as discussed in detail in Chapter 9.

Key Monitoring Items:

- ✱ Federal audit requirement threshold
- ✱ Audit frequency
- ✱ Audit contents

¹The A-133 Circular and the supplements can be found at <http://www.whitehouse.gov/omb/circulars/index.html>.

- * Audit charges pro-rated to HOPWA project
- * Tracking of audit findings
- * Means to resolve audit findings

Other Monitoring Items:

- Procurement and qualifications of auditor
- Timely submission of audit results

Data sources for audit management include audit reports, procurement records, audit charge invoices, and audit corrective action plans.

Does the Sponsor Meet the Audit Threshold?

Before proceeding through this chapter, determine if the sponsor meets federal or state audit thresholds.



Discussion

OMB Circular A-133, “Audits of Institutions of Higher Education and Other Non-Profit Institutions,” lays out standards for obtaining consistency and uniformity among Federal agencies for the audit of States, local governments, and non-profit organizations expending Federal awards. It applies to sponsors expending \$500,000 or more in federal funds in the last fiscal year and requires that such agencies have a single audit. A ‘single audit’ refers to an agency-wide audit, as opposed to a program-specific audit.

States may have their own audit thresholds that will apply to the sponsor organization. The monitor should be aware of such requirements and whether or not they will apply to the sponsor, even if the sponsor’s annual federal income is below the federal threshold.

Even if a sponsor has had an audit performed, the grantee should at least review the audit report. An audit will not necessarily examine all of the financially-related questions required by federal or state law. If the sponsor did not perform an audit and does not meet relevant thresholds, it is recommended that the grantee also cover all of the questions in Chapter 9 with the sponsor. However, the perfor-

mance of an audit does not relieve the grantee of its responsibilities to review and oversee the basics of the sponsor's financial system, as discussed in Chapter 9.

It is important to note that if the sponsor does not meet the federal audit threshold, then federal monies cannot be used to cover the costs of an audit. For sponsors that do not meet the audit threshold, however, it is allowable for the grantee to charge the costs of a limited scope audit to its HOPWA grant or allocation, as an alternative to a full audit. Limited scope audits only address one or more of the following types of compliance requirements: activities allowed or unallowed costs; cost principles; eligibility; matching, level of effort, earmarking; and reporting. The grantee should consider authorizing and paying for limited scope audits for sponsor organizations that fall below audit thresholds.

Monitoring Procedure

Remote monitoring: To determine whether the sponsor meets the audit threshold, ask to see the sponsor organization's annual budget, review the sources of income, and add up all federal grants and loans. If the total is greater than \$500,000, the sponsor must conduct an audit using an auditor. If you are not sure how to determine whether or not the sponsor meets the audit threshold, see paragraph 205 of OMB Circular A-133, 'Basis for determining Federal awards expended.' The monitor should also determine if state audit threshold limits apply. Even if the sponsor does not meet threshold requirements, ask if they have nonetheless performed an audit. If the sponsor does not meet state or federal audit thresholds AND they have not had an audit performed, skip the rest of Chapter 8 and proceed to Chapter 9. The grantee, then, will have even more direct responsibility to ensure the soundness of the sponsor's financial systems.

An Audit Aims to Determine:

- If the auditee's financial statements are presented fairly and in conformity with generally accepted accounting principles.
- If the auditee has adequate internal controls to protect against waste, fraud and abuse.
- If the auditee has complied with applicable laws, regulations, and the provisions of contracts or grant agreements.

SECTION 1: AUDIT BASICS

Audit Timeliness/Frequency

Does the sponsor conduct an audit annually, unless it meets the criteria for biennial audits?



Discussion

OMB Circular A-133 Section 220 sets out the standards for the frequency of audits. Audits required under this Circular should be performed annually, unless the sponsor is a state or local government that is required by constitution or statute to only undergo an audit biennially.

Monitoring Procedure

Remote monitoring: The monitor can request a copy of the sponsor's most recent audit as part of the procurement process.

On-site monitoring: The grantee monitor should identify the following to ensure the sponsor complies with this monitoring objective:

- The sponsor's fiscal year;
- The date of the sponsor's last audit; and
- The date of the sponsor's next planned audit.

This information can be gathered via an interview with the sponsor's fiscal officer, or on-site through review of documents.

Procurement and Qualifications of Auditor

Did the sponsor follow prescribed procurement standards for hiring the auditor?

Does the auditor meet the auditor qualifications of Government Auditing Standards?

Discussion

In procuring audit services, auditees shall follow the procurement standards described in 24 CFR 85 (for governmental units) or Part 84 (for private non-profit entities). Factors to be considered in evaluating each proposal for audit services include:

- The responsiveness to the request for proposal;
- Relevant experience, availability of staff with professional qualifications and technical abilities;
- The results of external quality control reviews;
- And price.

24 CFR 85 is applicable with respect to the acceptance and use of funds by States and units of general local government, including public agencies. 24 CFR 85.26 requires procurement under 24 CFR 85.36 with respect to auditor selection. 24 CFR 85.36(e)(1) requires the grantee and sub-grantee to “take all necessary affirmative steps to assure that minority firms, women’s business enterprise, and labor surplus area firms are used when possible.” “Affirmative steps” include:

- Placing qualified small and minority businesses and women’s business enterprises on solicitation lists;
- Assuring that small and minority businesses, and women’s business enterprises are solicited whenever they are potential sources;
- Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority business, and women’s business enterprises;
- Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority business, and women’s business

enterprises; and

- Using the services and assistance of the Small Business Administration, and the Minority Business Development Agency of the Department of Commerce.

Part 84 is applicable with respect to the acceptance and use of funds by private non-profit entities. 24 CFR 84.26 makes non-profit recipients and sub-recipients subject to the audit requirements contained in the Single Audit Act Amendments of 1996 (31 USC 7501-7505) and revised OMB Circular A-133, "Audits of States and Local Governments and Non-Profit Organizations." The Circular requires grant recipients to follow the procurement standards prescribed in Part 84. Both the Circular and 24 CFR 84.44(b) state, with regard to procurement, "positive efforts shall be made by recipients to utilize small businesses, minority-owned firms, and women's business enterprises, whenever possible." "Positive efforts" include:

- Ensure that small businesses, minority-owned firms, and women's business enterprises are used to the fullest extent practicable;
- Make information on forthcoming opportunities available and arrange time frames for purchases and contracts to encourage and facilitate participation by small businesses, minority-owned firms, and women's business enterprises;
- Consider in the contract process whether firms competing for larger contracts intend to subcontract with small businesses, minority-owned firms, and women's business enterprises;
- Encourage contracting with consortiums of small businesses, minority-owned firms and women's business enterprises when a contract is too large for one of these firms, to handle individually; and
- Use the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Department of Commerce's Minority Business Development Agency in the solicitation and utilization of small businesses, minority-owned firms, and women's business enterprises.

An auditor must meet the auditor qualifications of Government Auditing Standards, including qualifications relating to independence and continuing professional education. The standards on auditor qualifications in the Government Auditing Standards require that accountants and accounting firms comply with the

applicable provisions of the public accountancy laws and rules of the jurisdictions in which they are licensed and where the audit is being conducted.²

Monitoring Procedure

On-site monitoring: The monitor should discuss the sponsor's procedure for hiring the auditor with the appropriate sponsor staff member to ensure the procurement process was undertaken in compliance with federal regulations, and the selected auditor meets the Government Auditing Standards.

Audit Contents

Does the audit report include opinions on whether or not:



- The sponsor's financial statements are presented fairly in all material aspects in conformity with Generally Accepted Accounting Principles?
- The sponsor's schedule of expenditures is presented fairly in all material respects?
- The sponsor has complied with laws, regulations, and provisions of contracts or grant agreements that may have a direct and material effect on each of its major programs?
- The sponsor's records adequately reflect the sponsor's financial position?
- The sponsor has adequate controls and systems in place?

Discussion

Audit reports are a primary tool used by program managers to meet their responsibilities in overseeing HUD programs and assuring the integrity of the use of funds. Program managers must act upon the areas of noncompliance and internal control weaknesses noted in these reports. To be of value, these reports must give

²More information on Government Auditing Standards can be found on the Government Accountability Office's (GAO) website: <<http://www.gao.gov/>>.

enough information to put findings in perspective and to allow the sponsor to take necessary corrective action. The audit should be comprehensive in scope, allowing the grantee to form an opinion about the soundness of the sponsor's management of HUD funds. The auditor's report should state whether the basic financial statements fairly present the financial position of the sponsor/auditee as of the date of the financial statements reviewed.

The Government Auditing Standards require the auditor to consider the sponsor's internal control as part of planning and performing the audit and report on internal control. The auditor is required to test and report on the sponsor's compliance with applicable HUD laws and regulations regardless of the amount of Federal financial assistance.

Federal regulations require that sponsors submit copies of their audits to grantees.

Monitoring Procedure

Remote monitoring: The sponsor should submit completed audits to the grantee. The grantee should review the audit report, noting whether it was complete (as described above) and whether there were any significant findings and/or corrective actions outlined in the report. The presence of findings in a sponsor's report will help the grantee assess risk and the need for a site visit. It will also help the grantee focus on potential problem areas through monitoring. If the grantee does not have a copy of the audit report, the monitor should request a full copy from the sponsor. The audit package submitted by the sponsor or 'auditee' should contain all the elements discussed above.

On-site monitoring: Discuss the sponsor's most recent audit report with the sponsor's chief financial officer. Review negative findings with the sponsor, focusing on corrective actions taken.

Timely Submission of Audit Results

Was the audit report submitted within 30 days after receipt of the auditor's report, but not later than nine months after the end of the audit period (or such longer period agreed to in advance by the grantee)?

Discussion

The sponsor should submit the audit report to the grantee within 30 days after receiving it from the auditor. This should not be more than nine months after the end of the period of time audited (or such longer period as agreed to in advance by the grantee).

Monitoring Procedure

Remote monitoring: The monitor should confirm with the sponsor's program or finance staff that they have indeed submitted its most recent audit report according to these timeliness standards.

Audit Charge Pro-rated To Grant

Did the sponsor designate audit costs appropriately, either allowable as a direct cost, or as an allocated indirect cost?



Discussion

With any program cost, its proper allocation among various sources is important. The monitor must ensure that the sponsor has designated expenditures associated with the performance of an audit in accordance with the applicable OMB cost principles. The sponsor can allocate audit costs either as direct or allocated indirect costs. (Direct and indirect costs are discussed in more detail in Chapter 9.)

It is important to note that if the sponsor does not meet the federal audit threshold, then federal monies cannot be used to cover the costs of an audit. For sponsors that do not meet the audit threshold, however, it is allowable for the grantee to charge the costs of a limited scope audit to its HOPWA grant or allocation, as an

alternative to a full audit.

Monitoring Procedure

On-site monitoring: To review the proper charging of audit costs, the monitor will need to review financial records that cover the allocation of audit-related costs. Audit costs should be distributed proportionally among the sponsor's various revenue sources. The monitor should review to ensure that audit costs were designated appropriately.

SECTION 2: AUDIT RESULTS

The 'Audit Basics' help the grantee monitor determine whether the sponsor has undertaken the audit process in accordance with federal regulations. This section, 'Audit Results,' will help the monitor determine whether or not the audit resulted in any findings, and if so, if the sponsor has adequately followed-up with corrective actions.

Audit Findings Tracked

Does the sponsor have any audit findings from prior audits?



If so, has the sponsor tracked prior audit findings by preparing a 'summary schedule of prior audit findings'?

Discussion

As part of the sponsor's (the 'auditee's') responsibility for tracking, following-up and taking corrective action on all audit findings, OMB Circular A-133 requires that the auditee prepare a summary schedule of prior audit findings. The summary schedule of prior audit findings should include the reference numbers the auditor assigns to audit findings and the fiscal year in which the finding initially occurred.

The summary of prior audit findings should report the status of all audit findings included in the prior audit's schedule of findings and questioned costs relative to Federal awards. When audit findings were fully corrected and addressed, the summary need only list the audit findings and state that corrective action was taken. When audit findings were not corrected or were only partially corrected, the summary should describe the planned corrective action as well as any partial corrective action taken. When corrective action taken is significantly different from corrective action previously reported in a corrective action plan or in the Federal agency's or a grantee's monitoring report or management decision, the summary schedule should provide an explanation.

When the auditee believes the audit findings are no longer valid or do not warrant further action, the reasons for this position should be described in the summary schedule. A valid reason for considering an audit finding as not warranting further action is that all of the following have occurred:

- Two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearinghouse;³
- The Federal agency or the grantee is not currently following up with the auditee on the audit finding; and
- A management decision was not issued in the audit opinion regarding a particular finding.

Monitoring Procedure

On-site monitoring: The monitor should consult its files to determine if any of the sponsor's prior audits reported any findings, and if so, the monitor should ask to see and review the sponsor's 'summary schedule of prior audit findings.' The purpose of this is to ensure that the sponsor has adequately addressed previously identified findings.

³OMB Circular A-133 requires that audit reports be submitted to the Federal Audit Clearinghouse. For more information, see the Clearinghouse's website: <<http://harvester.census.gov/sac/>>.

Means to Resolve Audit Findings in Timely Manner – “Corrective Action Plan”

Did the sponsor’s most recent audit report any findings?



If so, did the sponsor prepare a ‘corrective action plan’ and implement corrective actions to resolve the findings in a timely manner?

Discussion

OMB Circular A-133 states that at the completion of the audit, the auditee shall prepare a corrective action plan to address each audit finding included in the current year auditor’s reports. The corrective action plan should indicate the name(s) of the contact person(s) responsible for corrective action(s), the corrective action(s) planned, and the anticipated completion date. If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan shall include an explanation and specific reasons.

The sponsor (‘auditee’) is responsible for follow-up and corrective action on all audit findings.

Monitoring Procedure

On-site monitoring: The monitor should review the sponsor’s most recent audit and determine if it reported any findings. If so, the monitor should review with the sponsor its corrective action plan to resolve the findings in a timely manner. The monitor should continue to monitor the implementation of the corrective action plan and provide/arrange technical assistance as needed to make improvements.

Chapter Checklist

Audits	
* Does the Sponsor Meet the Audit Threshold?	
Does the sponsor meet the audit threshold of \$500,000 in annual federal income or applicable state audit thresholds?	YES
	NO
<p>If “yes,” then proceed with reviewing audit process and results.</p> <p>If “no,” determine if the sponsor performed an audit, even though below federal or state thresholds. If so, review audit results. If not, skip the audit review. Recommended: perform a detailed review of the sponsor’s financial system, as outlined in Chapter 9, as an alternative to audit review.</p>	
Section 1: Audit Basics	
* Audit Timeliness/Frequency	
Does the sponsor conduct an audit annually, unless it meets the criteria for biennial audits?	YES
	NO
Procurement and Qualifications of Auditor	
Did the sponsor follow prescribed procurement standards for hiring the auditor? Does the auditor meet the auditor qualifications of Government Auditing Standards?	YES
	NO
* Audit Contents	
Does the audit report include opinions on whether or not: <ul style="list-style-type: none"> • The sponsor’s financial statements are presented fairly in all material aspects in conformity with Generally Accepted Accounting Principles? • The sponsor’s schedule of expenditures is presented fairly in all material respects? • The sponsor has complied with laws, regulations, and provisions of contracts or grant agreements that may have a direct and material effect on each of its major programs? • The sponsor’s records adequately reflect the sponsor’s financial position? • The sponsor has adequate controls and systems in place? 	YES
	NO

Timely Submission of Audit Results	
Was the audit report submitted within 30 days after receipt of the auditor's report, but not later than nine months after the end of the audit period (or such longer period agreed to in advance by the grantee)?	YES
	NO
* Audit Charge Pro-rated To Grant	
Did the sponsor designate audit costs appropriately, either allowable as a direct cost, or as an allocated indirect cost?	YES
	NO
Section 2: Audit Results	
* Audit Findings Tracked	
Does the sponsor have any audit findings from prior audits? If so, has the sponsor tracked prior audit findings by preparing a 'summary schedule of prior audit findings'?	YES
	NO
* Means to Resolve Audit Findings in Timely Manner - 'Corrective Action Plan'	
Did the sponsor's most recent audit report any findings? If so, did the sponsor prepare a 'corrective action plan' and implement corrective actions to resolve the findings in a timely manner?	YES
	NO

Financial Management and Documentation

The basic premise of this publication is that grantees are ultimately responsible for their sponsor's administration of HOPWA funds. This chapter discusses the principles of fiscal controls and accounting that guide the use of federal funds. These principles apply to governmental, educational, and non-profit entities that received federal monies. They are found, respectively, in OMB Circulars A-87, A-21, and A-122. The grantee should become familiar with the cost principles outlined in the sponsor's relevant Circular. Most HOPWA sponsors are non-profit organizations and Circular A-122 will apply.

Keeping adequate financial records is important in the administration of federal grants. A review of reports from HUD's Office of Inspector General, the office charged with auditing HUD-funded programs, shows that most negative audit findings stem from poor financial and activity record-keeping and from errors and misunderstandings related to cost allocation. HUD audits routinely identify expenditures as being either for ineligible costs or as being improperly supported.¹ In fact, many HUD audit reports require the auditee to reimburse HUD for all unsupported expenditures (e.g., inadequately documented), even if the expenditures were for actual (and allowable, approved) project line items! Also, HUD holds the grantee rather than the sponsor responsible for mismanaged funds. So, a solid understanding and thorough verification of financial records and documentation is a key grant management task and in the best interest of the grantee.

An audit of the organization (as discussed in Chapter 8) will have also reviewed some of the items covered in this Chapter, such as the organization's policies and procedures, basic accounting practices, and compliance with laws and regulations. However, the aim of the grantee's monitoring of the sponsor is not the same as the auditor's examination of the organization as a whole. Though audits may test HOPWA-related records and generally check compliance with federal regula-

¹HUD Inspector General audit reports and related information can be found at <http://www.hud.gov/offices/oig/>.

tions, it may not examine compliance with HOPWA-specific requirements, since most audits look at a whole organization and not just a single program. An audit does not relieve the grantee from responsibility for a sponsor's finances. Even if the sponsor has completed a full audit, the monitor should also examine the oversight objectives covered in this chapter. The monitor can use the audit as a guide and starting point in examining the sponsor's finances.

If the sponsoring organization has not undergone a complete audit because it falls below the federal or state threshold for financial audits, then the grantee's review of the sponsor's financial system and records will be all the more important.

Common Financial Management and Documentation Problems

- Personnel or housing assistance costs not supported by adequate documentation
- Reported and charged costs do not agree with accounting records
- No documented basis to support the allocation of indirect costs, such as office and equipment leasing
- Lack of internal controls
- Salaries and wages are not based on time-sheets but rather on estimates or static pro-rated ratios

For solid accounting and reporting purposes, the sponsor will need to have financial and administrative systems in place that enable:

- The tracking of expended and unexpended grant amounts, by eligible activity and related sub-activity;
- The allocation of staff time among activities and grants;
- The tracking and proper allocation of all direct and indirect program costs;
- The tracking and proper allocation of administrative costs;
- The tracking of pass-through monies;
- The tracking of program income, such as resident rent payments made to the sponsor or the disposition of property acquired with HOPWA funds; and
- Adequate source documentation of all program-related expenditures.

Chapter Organization

Approach the review of financial records from the top down, starting with the sponsor's system of financial controls, then looking at how particular costs are handled, ending with a review of key cost items. For all site visits, the key oversight items will be the focus. If the sponsor has not had an independent audit, consider covering all the monitoring items in this chapter.

Key monitoring items:

- * Financial policies and procedures, including cash controls and separation of duties
- * Grant-based tracking, including unexpended funds
- * Treatment and approval of salary and wage costs
- * Allocation of administrative costs and administrative limits
- * Grant expenditures are for eligible costs
- * Expenditures are adequately documented
- * Spot check of selected cost items

Other monitoring items:

- Cash controls
- Communication of non-compliance
- Fidelity bond coverage
- Pass-through funds
- Program income
- Direct and indirect costs

The Basic Principles of Allowable Costs

Every allowable project cost should be:

- Eligible (an activity that is both allowed for in HUD program regulations and is approved under the sponsor's agreement with the grantee)
- Reasonable (the cost is in line with the what others might pay for the same thing)
- Allocable (it can be assigned to a particular grant and activity, such as a case manager's salary or rental assistance)
- Documented (documentation exists that supports the cost, such as signed timesheets or rent payments backed up by leases)

Data sources will include financial policies and procedures, the sponsor's chart of accounts and ledger, transaction records, and project billing records.

SECTION 1: INTERNAL CONTROLS

Financial Procedures and Policies

Does the sponsor have written procedures or a policy manual(s) covering the following:



- How transactions are recorded;
- Who has authority to approve financial transactions; and
- How transactions are classified and tracked, based on a chart of accounts and other documentation of proper accounting?

Do these policies and documents separate duties effectively, in order to reduce the opportunity for someone to perpetrate or conceal errors or irregularities in the normal course of duties?

Is there an organizational chart that shows the lines of responsibility in regards to the oversight and management of HOPWA grant activities specifically and fiscal management generally?

Discussion

The most basic element of an adequate financial system is a written manual or set of written procedures that explains how the organization will handle financial transactions and record keeping. This is important for a variety of reasons. First, established policies help set up internal controls against the mismanagement of funds. Second, the ability to adequately track, document, report, and audit financial transactions depends on an organized system that treats the recording of all activity consistently. Finally, as with any aspect of project management, clear policies allow for consistency over time, despite staff turnover.

Policies and procedures regarding the recording, classification, allocation, and approval of transactions are key elements of an organization's financial system. Ideally, an organization's financial policies are compiled in a manual. The organization should have a written manual that covers items such as staff duties and lines of responsibility, cash management, procurement, asset management, accounts payable and receivable, and a chart of accounts.

A chart of accounts is the coding elements used in bookkeeping to classify, record, budget, and report financial transactions in a ledger. Most HOPWA project related activity will be in revenues and expenses. Each account is assigned an identifying number for use within the accounting system. Every financial transaction will 'pass through' an account or accounts, assigning it codes that show what type of transaction it is (e.g., an expense for phone service, grant revenue, or a housing assistance payment) and for which program (e.g., a HOPWA project). An organization chart is a good guide for the sponsor's chart of accounts.

The chart of accounts structure should mirror the various programs and grants that the sponsor manages, letting the sponsor organize and track financial activity by each project. A detailed chart of accounts enables good tracking of grant and project-level incomes and expenses. For tracking by funding source or grant, the chart of accounts will have account codes for each revenue source. For example, the chart might have an expense category called 'travel' but it will have multiple sub-codes for different sources (e.g., 'travel: HOPWA', 'travel: Ryan White', 'travel: Private foundation').

The separation of duties is the key element in a system of internal controls. With the 'separation of duties,' one person serves as a complementary check on another person's work. Dividing duties so that no one person handles all aspects of a transaction enhances internal control. Here are some basic principles about the separation of duties:

- Separate the recording of project records, including participant files, time sheets, and progress reports, from the review and approval of project records;
- Separate custody of assets from the recording of transactions and financial activity;
- Separate authorization of transactions from custody of related assets; and

→ Separate duties within the accounting function (e.g., the authorization of payments from the issuance of payments).

A description of the approval process for financial transactions (i.e., ‘cash controls’), including the identification of responsible parties, should be in the sponsor’s accounting manual. The sponsor should also have written protocols that outline program-specific record-keeping and reporting policies and procedures, noting responsibilities for various record-keeping, reporting and approval functions.

Adhering to all these principles may not be possible due to resource limitations (such as a small staff) or other considerations. In these cases, both the grantee and the sponsor should assess the risk resulting from weaker separation of duties, in order to ensure that the level of exposure to fraud, error, or mismanagement is acceptable. In the cases of small organizations with few options for the separation of duties among staff, officers from the board of directors can be designated to co-approve invoices, reports, and payments, as well as provide a second signature on checks.

Basic Elements of an Internal Control System

- An organizational chart that includes responsibilities for approving and recording financial transactions
- Written policies and procedures covering approval authority for transactions, methods for recording transactions, a chart of accounts
- Separation of duties, so that no one person has control over an entire transaction
- Controlled access to records, forms, and assets
- The regular reconciliation of records, comparing reported and actual assets and liabilities

An organizational chart is more than just a piece of paper that accompanies applications and reports. It lays out the lines of authority and approval within an organization. It reflects how the sponsor arranges services and finances into departments or programs. It helps organize the sponsor’s financial system and chart of accounts. It shows who has oversight, reporting, and management responsibilities for HOPWA projects. The sponsor’s organizational chart will help the monitor identify key personnel responsible for project and financial management.

Finally, the sponsor should divide the responsibilities for reporting a HOPWA project.

There should be a distinction between the person responsible for creating project records (whether they are participant files, progress reports, or staff timesheets) and the person responsible for reviewing and approving such records.

Monitoring Procedure

Remote monitoring: Require that billing documents and reports indicate both who prepared them and who approved them at the sponsor's organization.

On-site monitoring: At the site visit, meet with the sponsor's chief financial officer and review the sponsor's financial policies and procedures, verify that it has written documentation of procedures listed above.

Review the organizational chart with the sponsor, noting who is responsible for the approval of time sheets, issuing invoices to the grantee, monitoring program progress, and creating and approving progress reports to the grantee.

Review the relationship of all program duties, from the performance of project activity and the compiling of records and reports to the approval of such records, the entering of accounting records, and the approval and issuance of invoices and payments. Verify that the responsible parties in fact perform the separate duties described in the manual and indicated in the organizational chart.

Review the chart of accounts. Have the sponsor point out the account codes used to track primary elements of the HOPWA project, such as personnel costs, supportive services, and housing assistance. Verify that the sponsor tracks transactions on the project level and that the chart categorizes income and expenses by contract and funding source. (See Appendix A for sample account codes, for reference.)

Cash Controls

In addition to the separation of duties and approval controls, does the sponsor have adequate controls on the management of cash disbursements?

Discussion

Controls on the disbursement of cash are an important element of internal finan-

cial control. The sponsor's disbursement of monies, except for petty cash, will be made with checks or electronic transfers. Cash controls are important in both large and small organizations, for a variety of reasons. In a large organization handling a large volume of payroll and transactions, the misuse of funds is easily overlooked. With a high volume of transactions, as well, there is greater potential for accidental double booking of both accounts receivable and accounts payable. In small organizations where there are fewer persons available to perform separated duties or where the accounting capacity might be more limited, there is also potential for intentional or accidental misuse of funds. Adequate cash controls help ensure that all transactions are part of a traceable system of documentation.

Look for evidence that there are controls in place regarding the handling of project monies. These are some of the common items of a system for controlling cash transactions:

- All disbursements are made using pre-numbered checks
- Voided checks are preserved and filed
- Policies are in place prohibiting the drawing of checks payable to 'Cash'
- Policies are in place prohibiting the signing of checks in advance
- Cash disbursement vouchers are prepared for each invoice or reimbursement request that include: date of check, number of check, payee, amount of check, description of account to be charged, authorization signature and accompanying receipts
- Policies are in place requiring prior approval for expenditures (such as special program purchases) or that describe a framework for pre-approved expenses (such as travel reimbursement)
- Invoices are promptly marked 'Paid,' with the date and check amount
- All staff and program-related invoices are checked for accuracy, reasonableness and adequate documentation before approved for payment
- Unpaid invoices are maintained in a designated unpaid invoice file and are promptly entered into an accounts payable ledger

Monitoring Procedure

On-site monitoring: Review the sponsor's accounting manual or similar materials regarding policies related to disbursements and approvals. Review sample HOPWA related disbursement files for adequate system documentation (e.g., date and check number, amount, account charged, authorizations). With the sample payments, discuss the approval process with the authorizing person(s), including

how payments are submitted, reviewed and approved.

Communication with Management of Problems and Noncompliance

Is it clear that all personnel are responsible for communicating 'upward' to management regarding operating problems and noncompliance with laws and regulations?

Discussion

Responsibility for an organization's activities ultimately rests with those in charge of a program. Within an organization, responsibility rests with those in charge of overseeing and approving program and financial activities. As part of this ladder of accountability, indications of fraud or mismanagement should be reported upward to responsible parties and, ultimately, to the grantee from the sponsor.

Monitoring Procedure

Remote monitoring: In the billing and reporting process, the grantee should create opportunities for the communication of problems by the sponsor.

On-site monitoring: The monitor should verify with the sponsor contact that the responsibility to communicate potential or real operational or compliance problems is understood.

Fidelity Bond Coverage

Has the sponsor obtained fidelity bond coverage for responsible officials?

Discussion

Employee dishonesty bonds, or fidelity bonds, address a single type of exposure – theft and embezzlement committed by an employee. Some insurers will extend the policy to include dishonesty caused by volunteers. Most non-profits purchase blanket position bonds that cover all employees rather than listing specific persons

or positions on the policy (separate 'Directors and Officers' liability coverage typically covers board members). The agency can purchase an employee dishonesty coverage under a crime policy or as part of a commercial insurance package.

The issue of fidelity bond coverage is addressed in OMB Circular A-110 (covering non-profits), Subpart C, Section 21(d). The circular notes that a non-profit organization will only be required to have fidelity bond coverage if required to by HUD in connection with a federal grant. Nonetheless, fidelity bonds covering the sponsor's staff can be an important protection against threats of employee fraud.

Monitoring Procedure

On-site monitoring: If HUD has required bond coverage, request and review a copy of the sponsor's fidelity bond policy.

SECTION 2: FINANCIAL SYSTEM AND FUND TRACKING

Grant-based Tracking and Accuracy of Records

Does the sponsor's financial record-keeping system track expenditures by grant or funding source, so that HOPWA expenditures can be identified per approved budget line items?



Do the sponsor's financial records accurately track unexpended balances by budget line item?

Does the financial information in the sponsor's financial records for the HOPWA project match the records from the corresponding invoice(s) and annual performance report?

Discussion

Sound financial management, proper invoicing processes, and the demands of oversight and monitoring all require that a sponsor's financial activity be trace-

able. This tracking is important for the project sponsor, so that they can:

- Generate accurate invoices for the grantee;
- Monitor the pace of grant spending;
- Generate accurate performance reports for the grantee; and
- Create an ‘audit trail’ of documentation supporting expenditures and invoices.

For the purposes of monitoring a HOPWA grant, project costs should be clearly and readily identifiable. The ‘top’ layer of record keeping for examination, then, is the sponsor’s ability to track expenditures by type of activity and by grant. This ability will be important, in order to monitor HOPWA project expenses in detail.

Direct and Indirect Costs

A sponsor’s requisitions for payment may include both direct and indirect project costs. Cost principles for each, especially indirect costs, will be discussed in more detail below.

For the sponsor to control and for an auditor and the grantee to examine the sponsor’s financial system, transactions should be traceable back to specific grants. The sponsor should be able to generate project-specific financial reports that can easily be compared to line items in budgets. As discussed in previous chapters, the sponsor’s grant agreement and approved budget are key tools in the oversight process. Project budgets

should be line-item specific, indicating amounts for every approved and eligible activity. The sponsor should be able to correlate all activities in their HOPWA billing and in their financial records to activities in their approved budget. Billing invoices from the sponsor should contain sufficient detail, breaking down reimbursement requests by budget line items. As described above, a detailed chart of accounts will enable the sponsor to track revenue and expenses on the project level.

Keeping an eye on the pace of spending is key to good project management. Tracking expended versus unexpended amounts allows both the grantee and the sponsor to monitor the pace of spending. Monitor this as the sponsor submits invoices throughout an operating year. As a key indicator of performance, Chapter 3 covered this monitoring item.

True accuracy of billing records can only be checked by fully auditing the sponsor’s records, something beyond the scope of a grantee’s site visit. A grantee, however,

can cross-check a few basic documents to find out if there is any reason for concern. An expenditure report is a standard accounting report that covers a defined time period. Detailed expenditure reports can be generated covering a particular program for a specified time period. Note: if a sponsor has difficulty producing a detailed project-specific expenditure report, this might indicate inadequate tracking of financial activity. Covering a specific time period, this document can be compared to invoices and progress reports (annual or otherwise) that have been submitted for the same period.

Discrepancies between a project's detailed expenditure report and previously submitted records (invoices or reports) could indicate a number of problems with the sponsor's record-keeping, including the inadequate tracking of project-related financial activity, after the fact changes in account records, and flawed financial reporting capacity.

Monitoring Procedure

Remote monitoring: As invoices are received from the sponsor, compare expended and unexpended amounts with the planned pace of spending for a particular project. Take note of significant over- and under-spending. Follow-up indications of spending problems by contacting the sponsor for clarification about why they are spending funds faster or slower than expected.

The grantee can ask the sponsor to include explanations with every invoice regarding barriers to progress and issues related to spending.

On-site monitoring:

- To verify that the sponsor tracks activities by grant, in advance of the site visit request a detailed expenditure report for the HOPWA grant covering a given period of time. In order to prepare for upcoming monitoring steps, ask for at least two statements, covering at least one recent sample invoice period and the most recently completed and reported operating year. These reports should include totals and indicate expenses and income according to categories in the sponsor's chart of accounts.
- To verify that the sponsor tracks activities by budget line items, review the account categories in the expenditure reports and compare them with the line items in the approved project budget. In reviewing the report, the grantee should be able to readily correlate account categories with budget line items.

The account categories used should adequately reflect the level of line item detail as in the project budget. For example, if the sponsor provides both STRMU and tenant-based HOPWA housing assistance, the expenditure report should track these separately and not under a generic category such as 'rental assistance.'

- In advance of the site visit, compare a sponsor's actual with planned spending. Be prepared to ask the sponsor about any significant discrepancies between the two. Looking forward, check in with the sponsor regarding any foreseen issues related to spending, in order to address them prior to the end of the current operating year.
- Compare invoice(s) submitted by the sponsor with corresponding expenditure reports. Invoiced line item amounts should match up with corresponding amounts on the expenditure report covering the same period of time.
- Compare the most recent annual progress report with the detailed expenditure report for the corresponding 12-month period. Expenditures reported to the grantee in the annual report and expenditures in the expenditure report should match up. (See Appendix A for sample invoice and expenditure report.)

Tracking of Pass-through Funds

Does the sponsor have a system to track the pass-through of HOPWA grant funds to sub-recipients?

Discussion

In some cases, sponsors will pass-through funds to a sub-recipient, whether on contract or through a sub-grant. The sponsor will be responsible for ensuring that the sub-recipient complies with all of the applicable regulations and standards outlined in this manual. As part of the tracking of financial activity, the sponsor will need to track pass-through funds.

Monitoring Procedure

Remote monitoring: If a sponsor passes through funds to a sub-recipient, their invoices submitted to the grantee should reflect this. Review a sponsor's invoices

for the tracking of pass-through monies.

On-site monitoring: Confirm with the sponsor that they do or do not pass through funds to sub-recipients. Examine the sponsor's chart of accounts and financial statements by location to verify that funds passed through are tracked by activity and sub-recipient.

Tracking and Use of Program Income

Does the sponsor track income received by the HOPWA project, such as resident rent payments, and is such income re-used for eligible program purposes?

Discussion

A sponsor that provides facility-based housing assistance, such as use of a community residence or master-leased unit, should be collecting rent payments from participants (calculated as discussed in Chapters 4 and 5). Payments made to the sponsor are considered program income and the allowed use of such income is limited. Other program income might include the return of security deposits (made as permanent housing placement costs) and the repayment of funds from corrective actions. The sponsor should track such income specifically in relation to its balance sheet for the HOPWA project. That is, program income should be reflected as such in the HOPWA project's detailed expenditure report, as discussed above. [Note: rent payments made to third parties, such as property owners, are not considered program income, which is only payments made directly to the sponsor.]

There are limitations on what a non-profit sponsor (and grantee) can do with program income. There are three allowable uses for project income for a non-profit:

- Add income to funds committed to the project by HUD through the grantee and used to further eligible project or program objectives (this is the preferred HOPWA grant agreement method for the re-use of funds);
- Use income to finance the non-Federal share of the project or program; and
- Deduct income from the total project or program allowable cost in determining the net allowable costs on which the Federal share of costs is based (24

CFR 84.24(b)).

Consistent with their grant agreement with HUD, the grantee's agreement with the sponsor should indicate the acceptable use of program income by the sponsor. Most likely, income will be used to supplement project funds committed to the sponsor by the grantee to further program objectives. In all cases, project income is considered a restricted revenue source and should be used only for eligible and approved HOPWA project activities. For project sponsors that are governmental entities, program income will be treated according to the third option above. As established in grant agreements with HUD, income should be used to offset grant outlays (24 CFR 85.25(g)).

Monitoring Procedure

Remote monitoring: Program income should be projected by the sponsor and incorporated in original grant budgets. This will give the grantee a tool for on-site monitoring of program income and its uses. Program income should appear on reports from the sponsor.

On-site monitoring: If the sponsor receives direct income from participants in providing housing assistance, this income should be reflected in the sponsor's financial statements. Confirm whether the sponsor receives rent payments from participants. If they do, examine a detailed income statement for the HOPWA project and verify that the sponsor tracks this income in relation to the HOPWA project (and that the sponsor does not, for example, enter such income as unrestricted funds under a general operating account). Verify that the sponsor uses this income to further program objectives in undertaking eligible and approved activities.

SECTION 3: SALARIES AND WAGES

Treatment and Approval of Salary and Wage Charges

Are charges to the HOPWA program for salaries and wages, whether treated as direct or indirect costs, consistent with the written policies of the sponsor organization?



For employees supported wholly or in part by the HOPWA grant, are charges for personnel costs supported by personnel activity reports or equivalent time documentation?

Were all employee personnel activity reports signed by the employee or by authorized staff person with direct knowledge of the work performed?

Discussion

Personnel costs often represent the majority of a program's operating expenses. The handling of personnel costs also represents one of the main areas of pitfall for organizations that receive federal funds. Audits performed by HUD's Office of Inspector General consistently find problems with the way recipients of federal funds, especially non-profit organizations, allocate and treat personnel costs. As previously mentioned, such negative findings and the repayment of unsupported charges will be the final responsibility of the grantee (rather than only the sponsor). HUD can require that the grantee reimburse it for improperly allocated or documented personnel costs. It is important, then, that both the grantee and the sponsor carefully review treatment of salaries and wages as costs charged on a HOPWA grant.

Salaries and wages can be handled both as *direct* and *indirect* costs.

Direct personnel costs are those staffing costs which can be directly associated

‘with a particular final cost objective, i.e., a particular award, project, service, or other direct activity of an organization.’² In the case of a HOPWA grant, direct HOPWA project staff costs are those costs incurred when staff is directly performing activities related to a particular HOPWA grant, such as providing supportive services or administering housing assistance. Note that whether or not a personnel cost is ‘direct’ does not depend on whether or not the particular staff person works exclusively on a single grant. Even if a staff person is paid from multiple grants, their HOPWA personnel costs are considered ‘direct’ if their work directly relates to executing the scope of work outlined in the HOPWA grant agreement. Basically, most non-administrative personnel costs charged to a grant will be considered ‘direct.’

Indirect personnel costs “are those [personnel costs] that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective.” Indirect personnel costs are a type of general indirect costs, such as “depreciation or use allowances on buildings and equipment, the costs of operating and maintaining facilities, and general administration and general expenses, such as the salaries and expenses of executive officers, personnel administration, and accounting.”³

Staff Time - When Is It an Administrative vs. an Activity Cost?

Many project sponsors mistakenly bill program staff against administrative expenses when they could bill them against a program activity. For example: staff time spent administering Tenant-Based Rental Assistance (determining eligibility, housing inspections, processing checks to landlords) is a cost directly related to a grant activity. The cost of this time may be billed to the project’s housing assistance line item and rather than the administrative line.

The OMB Circular that addresses cost principles for salaries and wages (A-122 for non-profits) directs that *all* personnel costs, whether direct or indirect, be supported by verified and approved after-the-fact activity reports. Such reports will be particularly important when staff persons are paid off more than one grant. Thus, the first oversight objective is to verify that the sponsor has policies in place for all

²OMB Circular A-122, ‘Cost Principles for Non-Profit Organizations,’ Section B(1).

³Ibid, Section C(1).

personnel costs charged to the HOPWA grant (both direct and indirect or administrative) that instruct staff on how to document time spent on grant activities and that describe the review and approval process for time and activity reports.

What is adequate documentation of activity in support of personnel charges? Circular A-122 offers some guidance in this regard. According to the Circular, adequate documentation of personnel costs includes the following elements:

- It must reflect a real, reasonable, after-the-fact determination of *all* of an employee's activity (not just the portion charged to the HOPWA grant);
- It must be signed by the individual employee or by a responsible supervisor who has first-hand knowledge of an employee's activities; and
- It must be prepared at least monthly and coincide with one or more pay periods

The simple principle guiding documentation of salaries and wages is this—all records must reflect an 'after-the-fact' determination of all actual activity for each employee and covering the relevant billed period. The most common way to document personnel costs is with time sheets that cover the billed period and directly show the time that particu-

lar staff persons spent on HOPWA activities. Pre-determined or estimated salary apportionments, ratios, or pro-rated time divisions based on occasional time studies alone are not a sufficient basis for the billing of personnel costs. Personnel costs should not be based solely on static estimated costs.

Of course, organizations use salary and wage estimations all the time in the planning of individual grants and overall operations. Good forecasting of how staff time will be divided and spent, who will work how much on what grants, and how multiple grants might contribute to overall operations is essential to budget planning. However, there is a difference between budget planning and the financial transactions that underpin actual operations. Even though HUD or a grantee approves a particular plan for the apportionment of staff costs in the grant-making process, ongoing billing should always be based on actual costs incurred for the

Common but inadequate bases for billing personnel costs include:

- Budget estimates
- Allocations from grant agreements
- Occasional time studies
- Need to spend down grant

period covered in the related invoice to the grantee.

This does not mean that a sponsor cannot pro-rate personnel costs for one person's time across several grants, using percentages. However, the dividing of time needs to be backed up by actual dated and signed records that attest to the splitting up of activities.

Only dated and signed time sheets with project-related activity detail (what the OMB Circular calls 'after-the-fact activity reports') are adequate bases for billing personnel costs.

As with all financial records, a key concept for understanding the allocation of personnel costs is the creation of an 'audit trail.' The grantee monitor or any other auditor needs to be able to track a specific financial transaction, e.g., the monthly billing of personnel costs, back to source documentation for each particular cost. Documentation provides the basis for certifying

that costs billed to the grantee are based on actual activity for the billed period. Thus, for a single monthly invoice covering 3.25 full-time employees (FTE) against the personnel line item in the sponsor's budget, there needs to be activity records maintained for every employee included in that total.

The sponsor must also adequately document other costs associated with personnel costs, such as fringe benefits. These costs should be billed at a rate consistent with charges to other grants, and should be billed to the grant in proportion to time charged.

Monitoring Procedure

Remote monitoring: Sponsors are required to maintain current documentation for all personnel costs. However, for monitoring documentation of these costs remotely, an important option is to require that sponsors submit time records or activity reports related to all personnel charges. Time sheets should reflect activity specifically for the time period covered in the invoice, should explicitly indicate the allocation of the individual's time to the HOPWA grant (whether in units of hours or percentage/ratio), and should be signed by the employee or a supervisor who has direct knowledge of the employee's activity.

On-site monitoring: Verify that the sponsor's employee handbook describes a process for employee time keeping, the generation of individual activity reports, and the review and approval of activity reports by authorized staff persons. Verify that the sponsor's accounting manual contains a policy requiring the documentation

of personnel costs with reviewed and approved activity reports or periodic certifications, as described above.

Using sample invoices, request supporting documentation for personnel costs charged to the grant. Supporting records should meet the specifications for adequate documentation of personnel costs as outlined above.

SECTION 4: COST AND ALLOCATION PRINCIPLES

Direct and Indirect Costs

Are indirect costs charged by the sponsor? If so, are they being charged in compliance with OMB Circulars A-87 and A-122, that is, do they have an adequate cost allocation plan or an approved indirect rate?

Discussion

The allocation of costs as either direct or indirect is another fiscal management principle that is easily misunderstood. Like the inadequate documentation of personnel charges, the improper billing of indirect costs is a recurring negative finding in HUD Inspector General audits. All costs, whether direct or indirect, must meet the basic tests of being allowable, reasonable, allocable, and documented. We have already discussed what allowable costs are.

- ‘Reasonable’ means that the value of the cost does not exceed ‘that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost’ (OMB A-133 Compliance supplement, 3-B-42).
- ‘Allocable’ means that a cost can be connected to a particular ‘cost objective’ related to a project. A ‘cost objective’ is any activity that incurs a cost that is recorded in the sponsor’s financial system, whether it is the paying of

staff, renting space, providing housing assistance or other benefits, administering a grant, or buying equipment. See OMB Circular A-122, Attachment A for discussion of these terms.

→ Adequate documentation is discussed in Section V, below.

What is the difference between direct and indirect costs?

Direct costs can be easily identified for a particular 'cost objective,' meaning the incurred cost directly relates to the operation or activities of a particular revenue source or project. For example, mileage costs for a housing information specialist to visit a HOPWA participant is a cost that can be directly connected to a HOPWA project activity. Indirect costs are costs incurred for objectives or activities that are incurred in concert with other projects and are not easily identified with a single cost objective (that is, in relation to a single transaction related to a single revenue source). Indirect costs often include:

- Property depreciation and use allowance;
- Operation and maintenance of physical plant; and
- Executive and administrative costs.

Most personnel costs should be treated as direct costs, since they need to be associated clearly with a particular activity on a particular revenue source. Only executive and administrative personnel costs might be considered to be indirect,

as they relate to the overall administration of an organization and are not easily separated into tasks related to specific revenue sources or scopes of service. (The calculation of administrative costs is covered in more detail below.)

Since by definition indirect costs are not easily identifiable as costs related to particular transactions, the sponsor must calculate them using one of the federal government's acceptable methods. For non-profit organizations, there are four acceptable methods for calculating indirect costs. Non-profit organizations should

The improper calculation and inadequate documentation of indirect costs are another common financial error.

There are 4 acceptable methods of allocating indirect costs.

The sponsor will need to apply one method to allocate costs, consistently apply it across its grants and programs and adequately document its method. The sponsor should develop a 'cost allocation plan' that describes the methodology that they will use to allocate costs, especially indirect costs. See Appendix B for an example of an allocation plan.

be following *one* of these methods, with consistent treatment of indirect costs across grants based upon it. As described in Circulars A-87 and A-122, these acceptable methods are:

- Direct Allocation Method;
- Simplified Allocation Method;
- Multiple Rate Allocation Method; and
- Special Indirect Rate.

The Direct Allocation and Simplified Allocation methods are the most common methods used by non-profits.

Unless the sponsor had negotiated a special indirect rate with the federal government (discussed below), it should have a 'cost allocation plan' in place that describes the method that they will use to allocate all costs, especially indirect costs. The plan clarifies what method that the sponsor organization uses. This plan helps the organization itself maintain consistency in handling costs, it helps the grantee know the basis for charges billed to it by the sponsor and it will guide an auditor in determining the soundness of an organization's financial system. Appendix B is a model allocation plan, including examples of indirect cost allocation formulas. The cost allocation plan gives important rationale to the sponsor's financial management system.

For all the methods, the key concept for considering if indirect costs are being calculated correctly is this: on what basis are common indirect costs pro-rated and allocated to revenue sources? The monitor will be determining:

- What method does the sponsor use to allocate indirect costs;
- Is that method used consistently; and
- Does the sponsor have adequate documentation to support the indirect allocations billed to the HOPWA grant?

As with all costs charged to the HOPWA grant being examined, the monitor will be looking out for unsupported charges or over-charges to the HOPWA grant. A monitor bases this determination upon an examination of the method that the sponsor uses to distribute indirect costs. Federal funds from a particular grant cannot be used in a disproportionate way to support indirect activities or costs unrelated to the particular award. For example, if an organization's office space is being used at least in part for the administration of multiple programs on multiple awards,

then that indirect cost will need to be allocated equitably and reasonably among all programs or awards and should not be borne disproportionately by a particular grant.

The Direct Allocation method treats almost all indirect costs as direct costs, pro-rating each cost to the grant based on the 'relative benefit' provided to the grant by the particular cost. All costs are limited to three basic categories: a) general administration and expenses, b) fundraising, and c) direct functions. Joint costs such as depreciation, facilities, copier (and other equipment) and phone expenses are pro-rated as direct costs to each category and each award using a base appropriate to the particular cost based on relative benefit. HOPWA regulations that limit administrative costs for grantees and sponsors assume this method; all charges to the grant will be either administrative or direct. This is the most common method for handling indirect costs. As ever, the basis for pro-rating indirect costs as direct costs must be supported by documentation that demonstrates the relative benefit of the particular cost to the grant's activities.

The Simplified Allocation method can be used by organizations that have only a single major function (e.g., the provision of AIDS-related supportive services) covering just a few awards, with only a low level of federal awards. In this method, indirect costs are allocated to various grants or revenue sources by first totaling all of an organization's allowable indirect costs for a covered period and dividing that by the total allowable direct costs for that period. This yields a percentage that is applied to a particular grant or project's direct costs as a factor that will yield that project's or grant's indirect costs.

The Multiple Allocation Base method is similar to the simplified method, but it distributes indirect costs according to functional rates that vary based upon relative benefits that significantly differ among activities or grants. For example, a particular activity (or function) that an organization engages in may disproportionately require the allocation of leased space, utilities, or depreciation of property.

Finally, the sponsor may use a Special Indirect Cost Rate to allocate indirect costs. In some instances, a single indirect cost rate for all activities of an organization or for each major function of the organization may not be appropriate, since it would not take into account those different factors that may substantially affect the indirect costs applicable to a particular segment of work. For this purpose, a particular segment of work may be performed under a single award or it may consist of

work under a group of awards performed in a common environment. Special indirect cost rates are established in negotiation between the sponsor and the federal agency that represents the largest source of grant funds for an organization (this is called the 'cognizant agency').

In all cases, the method used by the sponsor to allocate indirect costs does not supersede the HOPWA program's statutory 7% limit on administrative activities. Indirect costs can easily be higher than 7% of the HOPWA award, since indirect costs might contain costs other than administrative costs (such as depreciation, occupancy, equipment leasing). However, the administrative portion of the sponsor's rate, regardless of the method used, can be no more than 7%. The policies for how an organization will allocate its costs should be contained in a 'cost allocation plan.' See Appendix B for an example of such a policy.

Monitoring Procedure

Remote monitoring: At the point of formalizing grant agreements, clarify with the sponsor which method of indirect cost allocation they will use. Along with documentation covering direct costs, request that documentation of indirect costs also accompany reimbursement requests from the sponsor.

On-site monitoring: Clarify with the sponsor which of the four acceptable methods of indirect cost allocation they use to bill indirect costs. Ask for documentation that the method is consistently used in invoicing other grants or awards (e.g. if the sponsor is using a simplified allocation method, verify that they are applying the same indirect rate to other grants, using the covered period direct costs as a base for calculation). Finally, verify that the sponsor has documentation that the method used has been properly calculated and supported. That is, sponsor records should document which method the sponsor uses, when and how it was calculated, and on what supported basis. This documentation is what is called a 'Cost Allocation Plan' (see Appendix B for an example.)

Administrative Costs

Does the sponsor correctly allocate administrative costs?



Discussion

The HOPWA program regulations define eligible administrative costs as “costs for general management, oversight, coordination, evaluation, and reporting on eligible activities. Such costs do not include costs directly related to carrying out eligible activities, since those costs are eligible as part of the activity delivery costs of such activities.” (24 CFR 574.3) HOPWA regulations limit administrative costs to 3% of total grant costs by grantees and 7% of total grant costs by sponsors. In reviewing for compliance with this limit, the grantee will be looking for two things:

- That the sponsor properly allocated administrative activities to this cost (and not to direct cost charges); and
- That the sponsor limited administrative costs to 7% of the total amount awarded to it.

Verification of compliance with the cap on administrative charges is simply a matter of comparing administrative costs to program activity costs and determining whether costs exceeded the limit.

With the allocation of administrative costs,

one common error is to allocate some personnel costs to administration that should be charged directly to a program activity. Some activities that might seem to be administrative are actually part of a project activity. For example, personnel costs for time spent on directly managing a rental assistance program (e.g.,

Billing for Administrative Costs

It is important to follow the regulations that govern administrative funds. As with all billed expenditures, billing for administrative costs should be based on actual costs incurred during a particular period. As with personnel costs, basing administrative charges on a straight pro-rated amount of the total grant (e.g., 7% of the total amount awarded to the sponsor, divided into constant monthly increments) is not adequate. Rather, administrative charges should be based on the actual monthly program costs, which should vary each month.

calculating rent or performing housing quality inspections) are direct project costs and should be billed to the appropriate housing assistance category. Similarly, the supervision of program staff persons related to the direct delivery of services, such as case and clinical supervision, is also a project activity cost. Administrative costs are those costs or functions that support operations in general, such as bookkeeping and the compilation and reporting of data.

In reviewing administrative and indirect costs, keep in mind that all administrative costs are indirect costs but not all indirect costs are administrative costs. Following an allocation method such as Simplified or Direct Allocation as described above, the sponsor should allocate most indirect costs separately from administrative costs. In this way, sponsors will avoid unnecessarily allocating and billing some non-administrative management costs to the administrative line of their budget.

Monitoring Procedure

Remote monitoring: When processing invoices, verify that the sponsor is charging no more than 7% of direct costs to indirect administrative costs. In gathering documentation with billing, examine personnel charges generally to check to see if the sponsor is including administrative costs in project activity categories or, conversely, if they are including direct costs unnecessarily in the administrative category.

On-site monitoring: Sample personnel charges, especially for personnel involved in the management or executive direction of activities. Review to see if the sponsor has properly allocated program management costs to administration. Verify that the sponsor has limited administrative costs to 7% of direct project activity costs.

SECTION 5: RECORD-KEEPING AND DOCUMENTATION

For this section, use sample invoices already identified for monitoring objectives above. The purpose of this final section is to go through a number of key cost categories and verify that charges against those categories were eligible, allowable,

and properly documented.

Records Reflect Eligible Costs

Does a review of sample transaction records indicate that grant expenditures were eligible costs under program regulations?



Discussion

In previous chapters, we discussed compliance with HOPWA regulations regarding particular program activities and how to monitor them for compliance with HUD regulations. This section is concerned with connecting those activities to expenditures. For the review of financial records, the monitor should verify that costs billed by a sponsor to their HOPWA grant relate to eligible HOPWA activities. This monitoring step will connect costs with HOPWA activities.

Monitoring Procedure

On-site monitoring: Using recent invoices from the sponsor, request back-up documentation for a sampling of transactions. If the sponsor performs a variety of HOPWA activities, the monitor should request documentation for transactions related to each activity. Verify that the transactions were in fact HOPWA-eligible activities (and were provided in connection with HOPWA-eligible persons).

Source Documentation of Expenditures

Are the financial transactions drawn for this review supported by adequate source documentation?



Discussion

Having determined that expenditures are properly tracked and were for eligible activities, the monitor should next review the source documentation for the costs charged to the grant. The basic principle is a matter of common sense. All charges made to a grant need to be backed up by documents which demonstrate that they were incurred in compliance with program-specific eligible activities in relation

to HOPWA-eligible participants, with general regulations, such as OMB Circulars, with the grant agreement, and were allocated properly. For every charge, the sponsor should be able to connect these various ‘threads’ of documentation. This is another link in what we have called an ‘audit trail.’

Adequate documentation for costs will vary depending on the specific activity. This guide covered most types of documentation for various activities already. Basic documentation would include the following:

- Eligibility: proof of HIV status, household income and composition.
- Rental assistance: rent calculation, housing inspection, lease, FMR limits, cancelled checks to landlord.
- STRMU: evidence of need, time limit calculation, cancelled payment checks.
- Facility-based housing: documentation of adequate services, rent calculation, leases, records supporting operating costs (e.g., utility bills, lease, or mortgage payments).
- Supportive services: documentation fitting with type of service (e.g., transportation, case management), that service was delivered, time sheets, client participation records.
- Operating costs: maintenance cost records, travel reimbursement records, office space leases, documentation for materials (paper, computers, phones) related to project, indirect cost documentation (if applicable in connection with a cost allocation plan).
- Administration: time sheets, indirect cost documentation (if applicable).

With sample invoices already selected and reviewed based on other criteria discussed above, review the transactions, checking that there is sufficient documentation (as noted immediately above) to support the charges. When looking at transactions and documentation, a simple series of questions can be applied:

- Is there documentation that the cost was for an eligible HOPWA activity (as discussed immediately above)?
- If the cost is for HOPWA housing assistance or a supportive service, is there evidence that the activity was provided to HOPWA-eligible participants (i.e., is

there evidence of HIV status and income eligibility)?

- Is there documentation that the cost was incurred in compliance with HOPWA and other applicable regulations? (For example, with housing assistance, were rents properly calculated, FMRs applied, and units inspected?)
- For personnel costs, is there documentation of actual staff activity on eligible activities during the period invoiced?
- For indirect and administrative costs, is there documentation that indirect costs are allocated in an acceptable manner?

Monitoring Procedure

Remote monitoring: Full, partial, or spot documentation of all costs can be requested along with all of the sponsor's invoices. Review documentation for eligibility, compliance with regulations and the grant agreement, and proper allocation.

On-site monitoring: Working from sample invoices already selected, request documentation to support costs, following the audit trail backwards to primary documentation. Review documentation for eligibility, compliance with regulations and the grant agreement, and proper allocation. If complete documentation is regularly provided to and reviewed by the grantee as part of the sponsor's regular invoicing process, then this objective will already have been achieved.

Spot Check of Selected Items

Review the following items for compliance with OMB cost principles: travel, entertainment, contributions, fines and penalties, and political costs.



Discussion

OMB Circulars A-87 (for governmental entities) and A-122 (for non-profits) lay out cost principles for a wide variety of cost items, from advertising to taxes. Following HUD's own Field Office Monitoring Guide for the HOPWA program, the monitor should focus specifically on a number of common items that may cause problems for the sponsor.

→ *Travel*

Travel costs are allowable but should be directly connected through documentation with the performance of grant-related activities, such as the delivery of project services. The sponsor should have written policies in place regarding reimbursement for or coverage of travel costs and these policies should be uniform across their programs. Policies should indicate per mile or per diem reimbursement rates, describe how to record travel costs and seek reimbursement, and should require supervisory approval of costs. Travel for HOPWA training purposes are limited to reasonable costs for the participation in approved HOPWA program training and technical assistance activity.

→ *Entertainment*

Employee or organizational entertainment costs, including social activities and any directly associated costs (such as meals, lodging, rentals, transportation, and gratuities), are unallowable. Note that this is not the same as travel and stipend costs for participants in a HOPWA program. Based on prior approval from HUD, the use of grant funds for participant meals, travel and fees related, for example, to attendance at a HOPWA training or related program conference are allowable.

→ *Contributions*

Contributions or donations made by the organization, including cash, property, and services, are unallowable using federal monies, regardless of the recipient.

→ *Fines and Penalties*

Costs of fines and penalties resulting from violations of, or failure of the organization to comply with Federal, State, and local laws and regulations are unallowable except when incurred as a result of compliance with specific provisions of an award or instructions in writing from the awarding agency.

→ *Political Costs*

Costs that might be considered political advocacy are unallowable. These include:

- Attempts to influence the outcomes of any Federal, State, or local election, referendum, initiative, or similar procedure;
- Contributions of time or cash to a political party, campaign, political action committee, or other organization established for the purpose of influencing the outcomes of elections;
- Any attempt to enact or influence federal or state legislation, either directly with officials, through public outreach, or participation in lobbying campaigns; and
- Legislative liaison activities, including attendance at legislative sessions or committee hearings, gathering information regarding legislation, and analyzing the effect of legislation, when such activities are carried on in support of unallowable lobbying.

Providing information on a topic directly related to the performance of a grant, contract, or other agreement through hearing testimony, statements, or letters to Congress or a State legislature are allowable. This can include providing testimony in response to a notice published in a Congressional Record requesting testimony or statements at a regularly scheduled hearing.

Monitoring Procedure

Remote monitoring: Review invoices for the items detailed above, including the composition of administrative and indirect costs. Review supporting documentation.

On-site monitoring: Review sample invoices and supporting documentation for the items detailed above. Discuss each item with the sponsor to clarify and confirm their understanding of these prohibited or regulated costs. For travel costs, review the sponsor's policies and procedures regarding reimbursement for travel for compliance with OMB guidelines; check for consistent application of reimbursement procedures.

Chapter Checklist

Financial System and Internal Controls	
Section 1: Internal Controls	
* Financial Procedures and Policies	
<p>Does the sponsor have written procedures or a policy manual(s) covering the following:</p> <ul style="list-style-type: none"> • How transactions are recorded • Who has authority to approve financial transactions • How transactions are classified and tracked, based on a chart of accounts and other documentation of proper accounting 	YES
<p>Do these policies and documents separate duties effectively, in order to reduce the opportunity for someone to perpetrate or conceal errors or irregularities in the normal course of duties?</p>	NO
<p>Is there an organizational chart that shows the lines of responsibility in regards to the oversight and management of HOPWA grant activities specifically and fiscal management generally?</p>	
Cash Controls	
<p>In addition to the separation of duties and approval controls, does the sponsor have adequate controls on the management of cash disbursements?</p>	YES
	NO
Communication with Management of Problems and Noncompliance	
<p>Is it clear that all personnel are responsible for communicating 'upward' to management regarding operating problems and noncompliance with laws and regulations?</p>	YES
	NO

Fidelity Bond Coverage	
Has the sponsor obtained fidelity bond coverage for responsible officials?	YES
	NO
Section 2: Financial System and Fund Tracking	
* Grant-based Tracking and Accuracy of Records	
<p>Does the sponsor's financial record-keeping system track expenditures by grant or funding source, so that HOPWA expenditures can be identified per approved budget line items?</p> <p>Do the sponsor's financial records accurately track unexpended balances by budget line item?</p> <p>Does the financial information in the sponsor's financial records for the HOPWA project match the records from the corresponding invoice(s) and annual performance report?</p>	YES
	NO
Tracking of Pass-through Funds	
Does the sponsor have a system to track the pass-through of HOPWA grant funds to sub-recipients?	YES
	NO
Tracking and Use of Project Income	
Does the sponsor track income received by the HOPWA project, such as resident rent payments, and is such income re-used for eligible program purposes?	YES
	NO

Section 3: Salaries and Wages	
* Treatment and Approval of Salary and Wage Charges	
Are charges to the HOPWA program for salaries and wages, whether treated as direct or indirect costs, consistent with the written policies of the sponsor organization?	YES
For employees supported wholly or in part by the HOPWA grant, are charges for personnel costs supported by personnel activity reports or equivalent time documentation?	NO
Were all employee personnel activity reports signed by the employee or by an authorized staff person with direct knowledge of the work performed?	
Section 4: Cost and Allocation Principles	
Direct and Indirect Costs	
Are indirect costs charged by the sponsor? If so, are they being charged in compliance with OMB Circulars A-87 and A-122, that is, do they have an adequate cost allocation plan or an approved indirect rate?	YES
	NO
* Administrative Costs	
Does the sponsor correctly allocate administrative costs?	YES
	NO
Section 5: Record-Keeping and Documentation	
* Records Reflect Eligible Costs	
Does a review of sample transaction records indicate that grant expenditures were eligible costs under program regulations?	YES
	NO

* Source Documentation of Expenditures	
Are the financial transactions drawn for this review supported by adequate source documentation?	YES
	NO
* Spot Check of Selected Items	
Review the following items for compliance with OMB cost principles: travel, entertainment, contributions, fines and penalties, and political costs.	YES
	NO

Appendix 1: Sample Financial Tools

Sample Activity Code:

8430-020

“8”XXX-xxx means it is a non-personnel expense

“84”XX-xxx means it is a non-personnel program activity expense

“8400”-xxx means it is a non-personnel program housing assistance expense

“8400-020” means it is a non-personnel program short-term program rental assistance expense related to the HOPWA grant (“-020” is the code for the HOPWA grant)

Partial Sample Chart of Account

7	Expenses - personnel related
7200	Salaries & related expenses:
7220-020	Salaries & wages: HOPWA
7230-020	Pension plan contributions: HOPWA
7240-020	Employee benefits - not pension: HOPWA
7250-020	Payroll taxes, etc: HOPWA
8	Non-personnel related expenses
8100	Non-personnel expenses:
8110-020	Supplies: HOPWA
8300	Travel & meeting expenses:
8310-020	Travel: HOPWA
8400	Program activity expenses:
8430-020	Short-term Rental Assistance: HOPWA
8440-020	Short-term Mortgage Assistance: HOPWA
8450-020	Short-term Utilities Assistance: HOPWA

Sample Expenditure Report

**HOPWA STRMU Program Expenditure Report
December 1, 2007-December 31, 2007**

Budget Item	Expenditure Amount
Salary & Wages: HOPWA	\$ 5,928.00
Fringe & taxes:	
Pension plan contributions: HOPWA	\$ 59.28
Employee benefits - not pension: HOPWA	\$ 237.12
Payroll taxes, etc.: HOPWA	\$ 1,126.32
Total Direct Care/Program Staff	
Other Program Costs:	
Local Travel	\$ 55.00
Program Supplies	\$ 200.00
STRMU Assistance	\$ 40,400.00
Rent	\$38,426.00
Mortgage	\$ -
Utilities	\$ 1,974.00
Total Direct Program Costs	\$ 40,655.00
Subtotal	\$ 48,005.72
Administrative Overhead @ 7%	\$ 3,360.40
TOTAL	\$ 51,366.12

Financial reports generated from a ledger covering a period of time using these coded accounts in the Sample Chart of Accounts will contain the expenses broken out for reporting and billing, as shown in the Sample Invoice.

Numbers in expenditure report and invoice match.

Note that this invoice tracks for prior requisitions, current requests, total spent to date, percent of budget spent, and remaining balances.

Note that personnel spending is behind schedule. Was there a staff vacancy?

Sample Invoice

City of Pleasantburg
HOPWA CONTRACT
BUDGET & REQUISITION SUMMARY

Sponsor: Local AIDS Housing Organization Requisition #: 1
 Project Name: Homelessness Prevention - STRMU Assistance Period Covered: Dec. 1, 2007-Dec. 31, 2007
 Contract P July 1-June 30, 2008 Total Requisition Amount: \$51,366.12

Budget Item	Original Budget	Budget Changes	Revised Budget	Previous Requisitions	This Requisition	Total Requisition To Date	% Drawn To Date	Balance To Complete
1. Direct Care Program Staff Support:								
Salaries and Wages: HOPWA	\$ 95,040.00	\$ -	\$ 95,040.00	\$ 35,333.00	\$ 5,928.00	\$ 41,261.00	43%	\$ 53,779.00
Fringes @ 24%	\$ 22,809.60	\$ -	\$ 22,809.60	\$ 8,479.92	\$ 1,422.72	\$ 9,902.64	43%	\$ 12,906.96
Total Direct Care/ Program Staff	\$117,849.00	\$ -	\$117,849.00	\$ 43,812.92	\$ 7,350.72	\$ 51,163.64	43%	\$ 66,685.36
2. Other Program Costs:								
Local Travel	\$ 500.00	\$ 400.00	\$ 900.00	\$ 420.00	\$ 55.00	\$ 475.00	53%	\$ 425.00
Program Supplies	\$ 2,400.00	\$(400.00)	\$ 2,000.00	\$ 854.00	\$ 200.00	\$ 1,054.00	53%	\$ 946.00
STRMU Assistance	\$387,148.00	\$ -	\$387,148.00	\$104,313.00	\$40,400.00	\$ 144,713.00	37%	\$242,435.00
Rent				\$ 98,356.00	\$38,426.00	\$ 136,782.00		
Mortgage				\$ 2,700.00	\$ -	\$ 2,700.00		
Utilities				\$ 3,257.00	\$ 1,974.00	\$ 5,231.00		
Total Direct Program Costs	\$390,048.00	\$ -	\$390,048.00	\$105,587.00	\$40,655.00	\$ 146,242.00	37%	\$243,806.00
Subtotal	\$ 512,897.00	\$ -	\$ 512,897.00	\$149,399.92	\$48,005.72	\$ 197,405.64	38%	\$315,491.36
Administrative Overhead @ 7%	\$ 35,903.00	\$ -	\$ 35,903.00	\$ 10,457.99	\$ 3,360.40	\$ 13,818.39	38%	\$ 22,084.61
TOTAL	\$548,800.00	\$ -	\$548,800.00	\$ 159,857.91	\$51,366.12	\$ 211,224.03	38%	\$ 337,575.97

Note that at halfway through the contract, the sponsor has spent only about a third of its STRMU budget.

Appendix 2: Non-Profit Organization Cost Allocation Plan Example, 'Healthy Living Programs'

The following is an example of what a non-profit organization's Cost Allocation Plan (CAP) might look like. Use the following model as guidance for what a CAP should include. The CAP should be tailored to fit the specific policies of each organization but in all cases should describe how costs will be allocated, in accordance with OMB Circular A-122. If an organization's policies are different in any of the categories, please specifically identify the methodology used. OMB Circular A-122 allows for a few different methods for allocating costs within an organization. The methodology used should result in an equitable distribution of costs to programs and should be used consistently across an organization's programs and grants. Additionally, as required by Office of Management and Budget Circular A-122, time distribution records must reflect an after-the-fact determination of the actual activity of each employee. Considerations in determining an appropriate base for allocating costs include the relative benefits received, the materiality of the cost, and the amount of time and cost to perform the allocation.

Purpose/General Statements

The purpose of this cost allocation plan is to summarize, in writing, the methods and procedures that this organization will use to allocate costs to various programs, grants, contracts, and agreements.

OMB Circular A-122, "Cost Principles for Non-Profit Organizations," establishes the principles for determining costs of grants, contracts, and other agreements with the

Federal Government. Healthy Living Programs' Cost Allocation Plan is based on the Direct Allocation method described in OMB Circular A-122. The Direct Allocation Method treats all costs as direct costs except general administration and general expenses.

Note: this organization uses the Direct Allocation method to allocate costs. This is the most common method for non-profit organizations. A Cost Allocation Plan should indicate which method the sponsor is using and then describe how that method is implemented.

Direct costs are those that can be identified specifically with a particular final cost objective. Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective.

Only costs that are allowable, in accordance with the cost principles, will be allocated to benefiting programs by Healthy Living Programs.

General Approach

The general approach of Healthy Living Programs in allocating costs to particular grants and contracts is as follows:

This section describes how this organization implements a Direct Allocation method.

- A. All allowable direct costs are charged directly to programs, grants, activity, etc.
- B. Allowable direct costs that can be identified to more than one program are prorated individually as direct costs using a base most appropriate to the particular cost being prorated.
- C. All other allowable general and administrative costs (costs that benefit all programs and cannot be identified to a specific program) are allocated to programs, grants, etc. using a base that results in an equitable distribution.

Allocation of Costs

The following information summarizes the procedures that will be used by Healthy Living Programs beginning Month/Day/Year:

This section explains how particular costs will be handled and allocated directly.

- A. Compensation for Personal Services - Documented with timesheets showing time distribution for all employees and allocated based on time spent on each program or grant. Salaries and wages are charged directly to the program for which work has been done. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program's salaries to the total of such salaries (see Example 1). Costs that benefit all programs will be allocated based on the ratio of each program's salaries to total salaries (see Example 2).

1. Fringe benefits (FICA, UC, and Worker's Compensation) are allocated in the same manner as salaries and wages. Health insurance, dental insurance, life and disability, and other fringe benefits are also allocated in the same manner as salaries and wages.
 2. Vacation, holiday, and sick pay are allocated in the same manner as salaries and wages.
- B. Travel Costs - Allocated based on purpose of travel. All travel costs (local and out-of-town) are charged directly to the program for which the travel was incurred. Travel costs that benefit more than one program will be allocated to those programs based on the ratio of each program's salaries to the total of such salaries (see Example 1). Travel costs that benefit all programs will be allocated based on the ratio of each program's salaries to total salaries (see Example 2).
- C. Professional Services Costs (such as consultants, accounting, and auditing services) - Allocated to the program benefiting from the service. All professional service costs are charged directly to the program for which the service was incurred. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program's expenses to the total of such expenses (see Example 3). Costs that benefit all programs will be allocated based on the ratio of each program's expenses to total expenses (see Example 4).
- D. Office Expense and Supplies (including office supplies and postage) - Allocated based on usage. Expenses used for a specific program will be charged directly to that program. Postage expenses are charged directly to programs to the extent possible. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program's expenses to the total of such expenses (see Example 3). Costs that benefit all programs will be allocated based on the ratio of each program's expenses to total expenses (see Example 4).
- E. Equipment - Healthy Living Programs depreciates equipment when the initial acquisition cost exceeds \$x,xxx. Items below \$x,xxx are reflected in the supplies category and expensed in the current year. Unless allowed by the awarding agency, equipment purchases are recovered through depreciation. Depreciation costs for allowable equipment used solely by one program are

charged directly to the program using the equipment. If more than one program uses the equipment, then an allocation of the depreciation costs will be based on the ratio of each program's expenses to the total of such expenses (see Example 3). Costs that benefit all programs will be allocated based on the ratio of each program's expenses to total expenses (see Example 4).

- F. Printing (including supplies, maintenance, and repair) - Expenses are charged directly to programs that benefit from the service. Expenses that benefit more than one program are allocated based the ratio of the costs to total expenses. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program's expenses to the total of such expenses (see Example 3). Costs that benefit all programs will be allocated based on the ratio of each program's expenses to total expenses (see Example 4).
- G. Insurance - Insurance needed for a particular program is charged directly to the program requiring the coverage. Other insurance coverage that benefits all programs is allocated based on the ratio of each program's expenses to total expenses (see Example 4).
- H. Telephone/Communications - Long distance and local calls are charged to programs if readily identifiable. Other telephone or communications expenses that benefit more than one program will be allocated to those programs based on the ratio of each program's expenses to the total of such expenses (see Example 3). Costs that benefit all programs will be allocated based on the ratio of each program's expenses to total expenses (see Example 4).
- I. Facilities Expenses - Allocated based upon usable square footage. The ratio of total square footage used by all personnel to total square footage is calculated. Facilities costs related to general and administrative activities are allocated to each program based on the ratio of program square footage to total square footage (see Example 5).
- J. Training/Conferences/Seminars - Allocated to the program benefiting from the training, conferences, or seminars. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program's salaries to the total of such salaries (see Example 1). Costs that benefit all programs will be allocated based on the ratio of each program's salaries to total salaries (see Example 2).

- K. Other Costs (including dues, licenses, fees, etc.) - Other joint costs will be allocated on a basis determined to be appropriate to the particular costs. (Grantee should describe methodology for applicable costs).
- L. Unallowable Costs - Costs that are unallowable in accordance with OMB Circular A-122, including alcoholic beverages, bad debts, advertising (other than help-wanted ads), contributions, entertainment, fines and penalties. Lobbying and fundraising costs that are unallowable, however, are treated as direct costs and allocated their share of general and administrative expenses.

Examples of Allocation Methodology

Example 1 Expense Amount = \$5,000
Costs that benefit two or more specific programs, but not all programs, are allocated to those programs based on the ratio of each program's personnel costs (salaries and applicable benefits) to the total of such personnel costs, as follows:

Grant	Personnel Costs	%	Amount Allocated
A	\$ 20,000	20%	\$ 1,000
C	\$ 30,000	30%	\$ 1,500
E	\$ 50,000	50%	\$ 2,500
Total	\$ 100,000	100%	\$ 5,000

This section gives practical examples of how the organization's allocation method will be implemented.

Example 2 Expense Amount = \$10,000
Costs that benefit all programs are allocated based on a ratio of each program's personnel costs (salaries and applicable benefits) to total personnel costs as follows:

Grant	Personnel Costs	%	Amount Allocated
A	\$ 20,000	13%	\$ 1,300
B	\$ 10,000	7%	\$ 700
C	\$ 30,000	20%	\$ 2,000
D	\$ 40,000	27%	\$ 2,700
E	\$ 50,000	33%	\$ 3,300
Total	\$ 150,000	100%	\$ 10,000

Example 3 Expense Amount = \$4,000

Costs that benefit two or more specific programs, but not all programs, are allocated to those programs based on the ratio of each program's expenses (direct costs other than salaries and benefits) to the total of such expenses, as follows:

Grant	Program Expenses	%	Amount Allocated
A	\$ 120,000	30%	\$ 1,200
C	\$ 130,000	33%	\$ 1,320
E	\$ 150,000	37%	\$ 1,480
Total	\$ 400,000	100%	\$ 4,000

Example 4 Expense Amount = \$8,000

Costs that benefit all programs will be allocated based on a ratio of each program's salaries to total salaries as follows:

Grant	Program Expenses	%	Amount Allocated
A	\$ 120,000	18%	\$ 1,440
B	\$ 110,000	17%	\$ 1,360
C	\$ 130,000	20%	\$ 1,600
D	\$ 140,000	22%	\$ 1,760
E	\$ 150,000	23%	\$ 1,840
Total	\$ 650,000	100%	\$ 8,000

Example 5 Facilities Expense Amount = \$10,000

Facilities costs are allocated based on square footage. Square footage for each program and general and administrative activity is considered in the analysis. General and administrative facilities costs are further allocated to each program based on the square footage of each grant program to the total square footage of all grant programs. The calculation is as follows:

Grant	Square Footage	%	Amount Allocated	G&A Allocated	Total Amount Allocated
A	300	30%	\$ 3,000	\$ 340	\$ 3,340
B	100	10%	\$ 1,000	\$ 110	\$ 1,110
C	200	20%	\$ 2,000	\$ 220	\$ 2,200
D	200	20%	\$ 2,000	\$ 220	\$ 2,200
E	100	10%	\$ 1,000	\$ 110	\$ 1,100
G&A	100	10%	\$ 1,000	\$ 0	\$ 0
Total	1,000	100%	\$ 10,000	\$ 1,000	\$ 10,000

Procurement + Property and Equipment Management

In the previous chapter, we discussed the sponsor's financial system and internal controls. Related to the control and proper use of HOPWA funds is how the sponsor a) procures goods and services, and b) manages property and goods once purchased. The regulations that govern procurement and property control are contained in 24 CFR 84 (for non-profits) and 85 (for governmental entities). These regulations are HUD's implementation of OMB Circulars A-122/110 and A-87/102, respectively.

The procurement standards discussed below and outlined in Parts 84 and 85 will only occasionally be relevant for sponsors. For the most part, sponsors will not be using HOPWA funds to procure substantial goods, services, and property, but rather will be using grant funds for procuring basic items, such as office equipment and supplies. Such purchases will typically qualify as 'small purchases' and require only a simple procurement process and supporting documentation. The standards for 'small purchases' are discussed directly below.

When a sponsor purchases substantial services, goods, or property using HOPWA monies, such as when a sponsor is procuring professional services related to developing or rehabilitating a property, then care will need to be taken to observe the guidelines discussed below.

Before examining specific monitoring objectives, a quick overview of federal guidelines regarding procurement is helpful. The basic concept behind the guidelines described in 24 CFR 84 and 85 is one that guides every shopper—comparison shopping can help an organization get more for its money. The four basic types of procurement processes we will be addressing are:

→ Small Purchases

- Sealed, Competitive Bids
- Competitive Bids
- Non-competitive Proposals¹

Types of competition will depend in part on the type of contract or business arrangement that a sponsor seeks. For example, sealed competitive bids are the preferred method for construction contracts. Construction contracts typically take the form of 'firm, fixed price' contracts. This means that the sponsor expects the contractor to deliver a well-defined, specific product within a specific price. Under a fixed-price contract, the contractor must deliver the product or perform the service for a pre-set firm fixed price, per unit price (e.g., with janitorial services, paying per visit) or ceiling (e.g., with a consultant assisting the sponsor) established in the contract. For a sealed bid process, the service or item being procured will need to lend itself to being clearly fixed in terms of deliverables, schedule for completion, and price, such that the award can be made principally based on price only.²

Small Purchases: Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the simplified acquisition threshold fixed at 41 U.S.C. 403(11) (currently set at \$100,000). If small purchase procedures are used, price or rate quotations should be obtained from an adequate number of qualified sources. This will often include the routine purchase of goods and services for basic operations (e.g., office supplies or janitorial services). Quotes, time frame for delivery, and price information should be obtained from a number of sources and compared for value.

Sealed, Competitive Bids: Bids are publicly solicited and a firm-fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming to all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction-related services. With sealed bids, the emphasis is on having a very clear, fixed, and well-defined product as the object of the bid, so that the primary difference between bids will be price.

Competitive Proposals: This technique of competitive proposals is normally con-

¹A simple question and answer discussion about procurement can be found on HUD's website at <<http://www.hud.gov/offices/cpo/grantees/cstprice.cfm>>.

²For additional discussion of types of awards and processes, see <<http://www.hud.gov/offices/cpo/grantees/cfr8536.cfm>>.

ducted with more than one source submitting an offer, and either a fixed-price or cost-reimbursement type contract is awarded. It is generally used for non-construction proposals for goods or services, especially where the service being procured does not lend itself to being firmly fixed in price and when factors other than cost (including bidder qualifications, say, for information technology management) may be factors.

Non-competitive Proposals: Procurement through solicitation of a proposal from only one source, or after solicitation of a number of sources, competition is determined inadequate.

The non-competitive method is the least preferred of the basic procurement methods, for obvious reasons. It should only be used under one of these circumstances:

- The item is available only from a single source;
- The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- The awarding agency authorizes non-competitive proposals; or
- After solicitation of a number of sources, competition is determined inadequate.

HOPWA regulations (24 CFR 574.3) authorize grantees to award sub-awards to sponsors through a non-competitive process. This authorization does not extend to the sponsors, however, who should use competitive processes of one sort or another for the procurement of goods.

To monitor a sponsor's procurement of goods and services, the monitor will first need to determine what kinds of goods and services have been procured using HOPWA funds. The monitor can then check for compliance with the appropriate procurement method.

Chapter Organization

This Chapter has three sections:

- Procurement Management
- Procurement Methods
- Property Controls and Disposition

Key monitoring items:

- * Written procurement procedures
- * Basis for selection
- * Procurement and contract controls
- * Small purchases
- * Internal controls of property and assets

Other monitoring items:

- Excluded parties
- Prohibition on 'cost plus' contracts
- Contract provisions
- Bonding and insurances
- Competitive sealed bids
- Competitive proposals
- Non-competitive proposals
- Sale of equipment - proceeds
- Sale of equipment - best price

Data sources will include financial policies and procedures, procurement records and financial records.

SECTION 1: PROCUREMENT MANAGEMENT

Written Procurement Procedures

Does the sponsor have written procurement procedures in place that describe how goods and services will be obtained?



Discussion

Federal regulations in 24 CFR 84 and 85 require grantees and sponsors to have

written procurement policies and procedures as part of their internal control and financial system. At a minimum, these policies will need to ensure that:

- An organization avoids purchasing unnecessary items.
- Where appropriate, an analysis is made of lease and purchase alternatives to determine which would be the most economical and practical procurement.
- Solicitations for goods and services provide for all of the following:
 - A clear and accurate description of the technical requirements for the material, product, or service to be procured that does not unduly restrict competition.
 - Requirements which the bidder must fulfill and all other factors to be used in evaluating bids or proposals.
 - A description, whenever practicable, of technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards.
 - The specific features of “brand name or equal” descriptions that bidders are required to meet when such items are included in the solicitation.
 - The acceptance, to the extent practicable and economically feasible, of products and services dimensioned in the metric system of measurement.
 - Preference, to the extent practicable and economically feasible, for products and services that conserve natural resources and protect the environment and are energy efficient.
- Positive efforts to use small businesses, minority-owned firms, and women’s business enterprises, whenever possible (as discussed in Chapter 8, regarding the procurement of audit services).
- Conflicts of interest (as described in Chapter 3) will be avoided.

Monitoring Procedure

On-site monitoring: The monitor should request a copy of the sponsor’s procurement policy. Verify that the policy adequately addresses the items listed above.

Excluded Parties

Is the program participant ensuring that its awards are not made to any party that was excluded, disqualified, or otherwise ineligible (e.g., suspension, debarment, or limited denial of participation) for Federal procurement and non-procurement programs?

Discussion

The Federal Government maintains a list of parties that are barred from receiving federal funds. Before procuring goods or services from a particular third party, the sponsor should first verify that the party is not on the exclusion list.³

Monitoring Procedure

On-site monitoring: The monitor should check sample procurement records and verify that the sponsor has consulted the 'Excluded Parties List' in contracting with third parties for services.

Basis for Selection

For the sample of procurement files reviewed, is there a rationale documenting the selection of the method of procurement, the selection of contract type, the contractor selection or rejection, and the basis for the cost or price of the contract?



Discussion

As discussed in the introduction to this chapter, there are a variety of methods of procurement and contract types possible for different types of goods and services. The sponsor should have a rationale for the type of procurement process and contracts that it employs in doing business. Solicitations and procurement processes should be based on standards that guide the sponsor in making prudent selections of contractors, based primarily on best price.

³The list can be found on-line at <<http://www.epls.gov/>>.

Monitoring Procedure

On-site monitoring: Discuss the sponsor's procurement methods with the chief financial officer, verifying that standards are in place for selecting methods of procurement and for evaluating bids, proposals, and other competitive information. Review procurement records for relevant documentation.

Prohibition on 'Cost Plus' Contracts

Is contract pricing based on a method other than the 'cost-plus-a-percentage-of-cost' method?

Discussion

'Cost Plus' contracts are contracts where the overall price of the contract includes a base cost 'plus' a percentage of the base cost that represents the contractor's profit. That is, rather than including a contractor's profit in the base cost (encouraging the contractor to reduce their own costs and maximize profit), 'cost plus' encourages the contractor to increase costs, in order to increase profit. The federal government prohibits such contracts.

Monitoring Procedure

On-site monitoring: The monitor should examine a sample of third-party contracts, in order to verify that 'cost plus' pricing is not used.

Procurement and Contract Controls

Are procurement procedures in place to ensure that:



- a. purchase orders and contracts are signed by an authorized program official?
- b. items delivered and paid for are consistent with the items contained in the corresponding purchase order and/or contract?
- c. timely payment of vendors occurs, once requested, when orders have been delivered, inspected, accepted, and payment to the vendor has been approved?
- d. a cost or price analysis is performed in connection with every procurement action, including contract modifications?

Discussion

As with all aspects of a sponsor's financial system, there should be adequate controls in place regarding procurement. The questions for this oversight objective specifically ask about a sponsor's management and oversight of their procurement process. Are goods and services purchased with the approval of an authorized person? Is there documentation of approval?

Price and cost analysis can be simple or more complex, depending on what is being procured (size and complexity) and the method being used. For the routine procurement of office supplies, basic price checking and comparison can serve as adequate analysis. For large bids being considered in response to a request for proposals on a construction project, on the other hand, more detailed analysis of the bids will be required. 24 CFR 84 and 85, in the sections dealing with procurement, provide more detail about how price analysis should be performed.

Once a sponsor purchases goods or services, of course, it is responsible for ensuring that what was delivered is what was purchased. This is especially important for

the oversight of contractors providing some service to the organization, whether those services are legal, financial, in relation to a construction project, or even janitorial. The sponsor should clearly define who is responsible for providing oversight for contractors.

Monitoring Procedure

On-site monitoring: Discuss procurement procedures with the sponsor's financial officer. Review procedures for the management of procurement processes, including the oversight of vendors or contractors. Verify that cost and price analyses are performed in connection with the procurement of goods and services.

Contract Provisions

Are required contract provisions appropriately included in HOPWA-assisted contracts?

Discussion

Federal regulations specify that contracts made using federal monies (including HOPWA) must include a number of provisions. These provisions are listed at 24 CFR 85.36(i) for governmental entities and 84.48(e) for non-profits. Different provisions apply to different types of contracts, as noted below. Required contract provisions include:

- Administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as may be appropriate.
- Termination for cause and for convenience by the sponsor, including the manner by which it will be effected and the basis for settlement. (All contracts in excess of \$10,000.)
- Compliance with Executive Order 11246 of September 24, 1965, entitled "Equal Employment Opportunity," as amended by Executive Order 11375 of October 13, 1967, and as supplemented in Department of Labor regulations (41 CFR chapter 60). (All construction contracts awarded in excess of \$10,000 by sponsors.)

- Notice of requirements and regulations pertaining to reporting to the sponsor of work done by the contractor.
- Awarding agency requirements and regulations pertaining to copyrights and rights in data.
- Access by the sponsor, the grantee, the Federal grantor agency, the Comptroller General of the United States, or any of their duly authorized representatives to any books, documents, papers, and records of the contractor which are directly pertinent to that specific contract for the purpose of making audit, examination, excerpts, and transcriptions.
- Retention of all required records for three years after the sponsor makes final payments and all other pending matters are closed.
- Mandatory standards and policies relating to energy efficiency which are contained in the state energy conservation plan issued in compliance with the Energy Policy and Conservation Act.

Other required provisions for contracts using federal funds include:

- Compliance with the Copeland “Anti-Kickback” Act as supplemented in Department of Labor regulations. This applies to all contracts for construction or repair.⁴ Regulations implementing the Copeland Act are found in 29 CFR 3.
- Compliance with minimum wage and over-time requirements in the Contract Work Hours and Safety Standards Act as supplemented by Department of Labor regulations. This Act applies to construction contracts awarded by the sponsor in excess of \$2,000 which involve the employment of mechanics or laborers.⁵ Regulations implementing the Act are found in 29 CFR 5.

⁴More information about the Copeland Act can be found at <http://www.dol.gov/compliance/laws/comp-copeland.htm>.

⁵More information on the Act can be found at <http://www.dol.gov/compliance/laws/comp-cwhssa.htm>.

Bonding and Insurance

If contracts have been awarded for construction or facility improvements under the grant program(s), does the program participant:

a. follow its own requirements relating to bid guarantees, performance bonds and payment bonds for construction contracts or subcontracts valued at or below \$100,000?

or

b. meet the minimum Federal requirements for bid guarantees, performance bonds and payment bonds for construction contracts or subcontracts valued above \$100,000?

Discussion

Every organization should be concerned about minimizing its risks, when possible. This is true for the federal government, as well as for other governmental entities and non-profit organizations. When substantial amounts of monies are being committed for construction, rehabilitation and facility improvement projects, certain contractual protections should be in place in order to help protect the investment of federal funds in a project. The federal government has established standards for these protections. There are two sets of standards: one for contracts valued under \$100,000 and one for contracts valued over \$100,000.

Contract protections include three elements:

- Bid guarantee: A bid guarantee is given by the bidder at the point of offering a bid on a project and comes in the form of some sort of assured financial commitment, such as a bid bond, certified check, or other negotiable instrument. This guarantee is connected to the bidder's assurance that it shall, upon acceptance of its bid, execute a contract with the sponsor. Bid guarantees are 5% of the bid price.
- Performance bond: With execution of a contract, a performance bond is secured by the contractor for 100% of the contract price. The bond is given in

assurance that the contractor will fulfill its obligations to the sponsor under the contract.

- Payment bond: A payment bond worth 100% of the contract price is given in connection with the contract and stands in assurance for payment of all sub-contractors supplying labor and material in the execution of the work provided for in the contract.

Together, these protections act as insurance policies that the contractor will provide agreed upon services and that funds will be available to pay sub-contractors, in the event of default. The guarantees are held by the contractor.

For contracts valued under \$100,000, the sponsor may enforce its own contract protection standards. For contracts valued over \$100,000, however, regulations require that the sponsor seek these protections and guarantees from the contractor in connection with its bid and an executed contract. The grantee itself (especially governmental entities) may have their own bond standards that will apply to the grantee's use of HOPWA funds.

Monitoring Procedure

On-site monitoring: Review all construction, rehabilitation, and facility repair procurement procedures and contracts. For contracts under \$100,000, discuss the protections sought by the sponsor in connection with contracts. For those over \$100,000, review bid process and contract files. Verify that the sponsor sought adequate contract protections.

SECTION 2: PROCUREMENT METHODS

Small Purchases

Can the program participant document receipt of an adequate number of price or rate quotations from qualified sources for procurements of \$100,000 or less?



Discussion

This method is used for most goods and services procured by an organization. When using the small purchase method of procurement, price analysis is conducted by obtaining price or rate quotes from an adequate number of qualified sources and comparing the quotes or rates to prior purchases of a similar nature. These situations are typical of most purchases. The sponsor should compare the quality and price of items procured through this method.

Unlike the competitive processes described below, this method does not involve the public solicitation of bids and proposals. Rather, the sponsor gathers market and price information for comparison (such as through supply catalogs). The purchase of goods and services using this method should still rely on the procurement principles outlined in the required procurement policy discussed above, that is, they should be necessary, practical, and economical.

Monitoring Procedure

On-site monitoring: The monitor should examine the records related to the purchase of goods or services with HOPWA funds. When practicable, procurement records should have detail sufficient to see the history of a purchase.

Competitive Sealed Bids

For construction, rehabilitation, or repair projects, were bids gathered through a competitive, sealed bid process, in compliance with applicable regulations?

Discussion

The solicitation of bids using a sealed bid process is the preferred procurement method for construction-related projects. In order for a sealed bid process to meet federal standards, it must meet the following criteria:

- At least two or more responsible bids were received.
- Adequate information was provided to bidders through the invitation for bids (IFB), including specifications and pertinent attachments.
- The IFB was publicly advertised and bids were solicited from an adequate number of known suppliers, providing them sufficient time before the date set for opening the bids.
- Bids were opened publicly at the time and place stated in the IFB.
- Contracts were awarded to the lowest responsive and responsible bidders.

Monitoring Procedure

On-site monitoring: If the sponsor has procured services for construction services, verify that they used an adequate, closed bid, competitive process.

Competitive Proposals

Were competitive proposal processes handled in compliance with applicable regulations?

Discussion

The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed-price or cost-reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids. Sponsors may use competitive proposal procedures for

qualifications-based procurement of architectural and engineering (A/E) professional services whereby competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services through A/E firms as a potential source to perform the proposed effort.

If this method is used, the following requirements apply:

- Requests for proposals were publicized and identified all evaluation factors and their relative importance. Any response to publicized requests for proposals was honored to the maximum extent practical.
- Proposals were solicited from an adequate number of qualified sources.
- The sponsor had a method for conducting technical evaluations of the proposals received and for selecting awardees.
- Awards were made to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.

Monitoring Procedure

On-site monitoring: If services or goods were procured using a competitive proposal method, verify that the process was compliant with applicable regulations and standards.

Non-Competitive Proposals

If the program participant procured services non-competitively, can it show that other methods of procurement (small purchases, sealed bids, or competitive proposals) were infeasible because:

→ the items were available from a single source;

or

→ a public exigency or emergency was of such urgency to not permit use of competitive solicitation, after solicitation of a number of sources;

or

→ competition is determined inadequate;

or

→ approval was granted by HUD?

Discussion

HUD prefers that services and goods be procured through a competitive process. Circumstances may not always allow for competition of one sort or another. In some cases, there may not be an alternative source of the goods or services that a sponsor is purchasing, at least locally. This can make competition effectively impossible. There may be emergency circumstances that require a response that does not allow for the time a competitive process might take. In cases where a competitive process was run and only one qualified response was received, the competition may be considered inadequate. Even with non-competitive proposals, the sponsor should have documentation demonstrating that one of these exceptions applied to a particular procurement of goods or services.

Monitoring Procedure

On-site monitoring: If a sponsor procured goods or services without competition, verify that competition was infeasible due to one of the reasons described above.

SECTION 3: PROPERTY CONTROLS AND DISPOSITION

Effective Internal Controls of Property and Other Assets

Do fiscal records indicate evidence that the sponsor has effective internal control and accountability of all property and other assets purchased with HOPWA funds?



Does the project sponsor have procedures to identify HOPWA property and assets?

Does the project sponsor have procedures in place to ensure adequate safeguards for preventing loss, damage, or theft of sponsor-held property?

Discussion

The sponsor should have financial records that indicate adequate control over the purchase and management of property and assets. Proper control means that there is adequate oversight and separation of duties in relation to the authorization of purchases and the ongoing management of assets. The sponsor should be able to track purchases made with HOPWA funds and readily identify such property and other assets, once purchased.

The sponsor should have policies and procedures in place regulating the ongoing management and use of assets. Such policies help ensure that equipment and assets are protected against misuse, damage, loss, and theft. For example, an organization could have policies in place controlling the use of computers purchased with HOPWA monies, regulating the downloading or installation of potentially malicious software. Vehicles purchased or leased by a sponsor for use in delivering HOPWA-funded services should be adequately safeguarded against misuse and damage.

In general, the management of assets purchased in whole or in part with HOPWA

monies should meet the following minimum requirements, as outlined in Parts 84 and 85. The sponsor should maintain equipment records with the following information:

- A description of the equipment;
- Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number;
- Source of the equipment, including the award number
- Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost;
- Information from which one can calculate the percentage of Federal participation in the cost of the equipment;
- Location and condition of the equipment;
- Unit acquisition cost; and
- Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates HUD for its share.

Disposing of a Facility

One grantee purchased a property for permanent housing for people living with HIV with HOPWA funding. After a few years, the needs of the individuals changed as they preferred to live independently in the community. Subsequently, the house experienced a very high vacancy rate. Deciding that the facility was no longer useful, the grantee decided to sell it and initiated a transaction.

Given the value of the property, the grantee should have first communicated with HUD, especially as stewardship requirements for the property may still be in force. Disposal of property purchased with HOPWA funds must follow appropriate OMB Circular guidelines, and it is critical that grantees work directly with the HUD Field Office in advance when considering the disposal of major assets.

A physical inventory of equipment should be taken and the results reconciled with the equipment records at least once every two years. The inventory would update the current use and condition of the equipment. The sponsor should have general controls and systems in place to prevent loss, damage, or theft of the equipment. As with any asset, the sponsor should have maintenance procedures to keep the equipment in good condition.

Monitoring Procedure

On-site monitoring: Review policies and procedures related to the tracking and management of assets procured with HOPWA funds. Verify that standards are in place aimed at protecting assets purchased with federal monies. Verify that the federal property and asset management standards are in place, including the tracking and inventory of property.

Sale of Equipment – Proceeds

If the program participant sold equipment purchased with HOPWA funds, were the proceeds from the sale kept as program income?

Discussion

The sponsor is expected to use equipment purchased with HOPWA funds for as long as possible. In fact, the sponsor can use such equipment beyond the life of the HOPWA grant, prioritizing use in connection with other HUD or other federal government grants (24 CFR 84.34(c) and 85.32(c)). The sponsor is allowed to sell HOPWA purchased equipment for trade-in value in purchasing replacement equipment.

However, there may come a point when the equipment or asset is no longer needed in connection with a HOPWA grant or any other program funded with federal monies. At this point, the sponsor can sell the assets, using the following guidelines. For equipment or assets with a fair market value under \$5,000, the sponsor may dispose of the equipment as they see fit, with no further obligation to HUD and the only requirement that proceeds be considered program income. For equipment or assets with a fair market value over \$5,000, the recipient should request disposition instructions from HUD.

HUD will determine if it has any use for the equipment itself or within any other federal agency. HUD should issue instructions to the sponsor within 120 calendar days after the recipient's request. If so instructed or if disposition instructions are not issued within 120 calendar days after the sponsor's request, the sponsor can sell the equipment and reimburse HUD an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original

project or program. However, the sponsor is permitted to deduct and retain from the Federal share \$500 or ten percent of the proceeds, whichever is less, for its selling and handling expenses.

Monitoring Procedure

On-site monitoring: Ask the sponsor's financial officer if they have disposed of any equipment or assets purchased in part or in full with HOPWA funds, either under current or previous grant agreements. If so, verify that the sponsor followed the proscribed process and applied proceeds against federal funds.

Sale of Equipment – Best Price

If the program participant has disposed of equipment by sale, do sales procedures indicate that efforts were made to obtain the highest possible return?

Discussion

In all cases of equipment or asset disposition, the sponsor is expected to handle sales of equipment in such a way as to maximize the return to the sponsor in program income.

Monitoring Procedure

On-site monitoring: If the sponsor has engaged in the sale of equipment or assets purchased in part or in full using HOPWA funds, review the process used to sell assets. Verify that there were efforts made to obtain the highest possible return.

Chapter Checklist

Procurement and Property and Equipment Management	
Section 1: Procurement Management	
* Written Procurement Procedures	
Does the sponsor have written procurement procedures in place that describe how goods and services will be obtained?	YES
	NO
Excluded Parties	
Is the program participant ensuring that its awards are not made to any party that was excluded, disqualified, or otherwise ineligible (e.g., suspension, debarment, or limited denial of participation) for Federal procurement and non-procurement programs?	YES
	NO
* Basis for Selection	
For the sample of procurement files reviewed, is there a rationale documenting the selection of the method of procurement, the selection of contract type, the contractor selection or rejection, and the basis for the cost or price of the contract?	YES
	NO
Prohibition on 'Cost Plus' Contracts	
Is contract pricing based on a method other than the 'cost-plus-a-percentage-of-cost' method?	YES
	NO
* Procurement and Contract Controls	
<p>Are procurement procedures in place to ensure that:</p> <ul style="list-style-type: none"> a. Purchase orders and contracts are signed by an authorized program official? b. Items delivered and paid for are consistent with the items contained in the corresponding purchase order and/or contract? c. Timely payment of vendors occurs, once requested, when orders have been delivered, inspected, accepted, and payment to the vendor has been approved? d. A cost or price analysis is performed in connection with every procurement action, including contract modifications? 	YES
	NO

Contract Provisions	
Are required contract provisions appropriately included in HOPWA-assisted contracts?	YES
	NO
Bonding and Insurance	
<p>If contracts have been awarded for construction or facility improvements under the grant program(s), does the program participant:</p> <p>a. Follow its own requirements relating to bid guarantees, performance bonds and payment bonds for construction contracts or subcontracts valued at or below \$100,000?</p> <p style="text-align: center;">or</p> <p>b. Meet the minimum Federal requirements for bid guarantees, performance bonds and payment bonds for construction contracts or subcontracts valued above \$100,000?</p>	YES
	NO
Section 2: Procurement Methods	
* Small Purchases	
Can the program participant document receipt of an adequate number of price or rate quotations from qualified sources for procurements of \$100,000 or less?	YES
	NO
Competitive Sealed Bids	
For construction, rehabilitation, or repair projects, were bids gathered through a competitive, sealed bid process, in compliance with applicable regulations?	YES
	NO
Competitive Proposals	
Were competitive proposal processes handled in compliance with applicable regulations?	YES
	NO

