



State of Nevada  
 Department of Business & Industry  
**HOUSING DIVISION**

1535 Old Hot Springs Road Suite 50  
 Carson City, Nevada 89706  
 Tel.: (775) 687-2040 or (800) 227-4960 (within Nevada)  
 Fax: (775) 687-4040  
[www.nvhousing.state.nv.us](http://www.nvhousing.state.nv.us)

March 9, 2010

**PROGRAM BULLETIN**

Emergency Shelter Grant Program (ESG)  
 Welfare Set-Aside Program (WSAP)  
 Homeless Prevention and Rapid Re-Housing Program (HPRP)

TO: Program Sub-Recipients  
 RE: Revised Monitoring Guidelines

\*\*\*\*\*

The following Compliance Monitoring Guidelines for the HPRP, ESG and Welfare Set-Aside Programs will be implemented July 1, 2010 and will be included as part of the State of Nevada's FY 2010-2014 Consolidated Plan to the U.S. Department of Housing and Urban Development (HUD). Any comments regarding these changes will be accepted as part of the Public Comment Period for the Proposed Consolidated Plan that will begin on or about mid-April.

**SUMMARY**

The Division is responsible for ensuring that all program requirements established by HUD, the State of Nevada and the Housing Division are met. The Division will follow the monitoring procedures it will establish in the FY 2010-2014 5 Year Consolidated Plan to HUD and applicable Policies and Procedures Manuals, and will have staff that will be responsible for continuous monitoring of sub-recipient activities. This will be accomplished, in part, via site visits to sub-recipients, a review of all grant activities and reports submitted to the Division, a review of the Risk Assessment Form completed for each sub-recipient (sample attached), and a review of sub-recipient annual financial statements by the Division's Grants Financial Auditor. Monitoring of sub-recipients may be conducted by the Division, local HUD Office of Community Planning and Development, HUD's Office of Special Needs Assistance Programs, HUD's Office of Inspector General, HUD's Office of Fair Housing and Equal Opportunity, a contractor hired on behalf of the Division for the purposes of auditing programs funded through the State, or other authorized state or federal agency, to determine compliance with the requirements of each program.

Sub-recipients will be expected to make available all client files, along with any financial and program records, for periodic review on a schedule to be established by the Division.

## **COMPLIANCE MONITORING**

The Division, as administrator of the HPRP, ESG and WSAP programs, is required to monitor recipients for compliance with program regulations. Using techniques and recommended guidelines reflected in 24 CFR Part 576-HUD's Monitoring Guidance for the Emergency Shelter Grant Program, ESGP Program Regulations, the Account for Low Income Housing Trust Fund Administrative Guidelines, and the HPRP Policies and Procedures Manual and HPRP Program Regulations, the Division has developed a process, including the following components, to determine the type of monitoring to be conducted each year:

Application Process: Some documents and budget issues necessary for compliance are required at the time of application for funding and will be reviewed for compliance standards.

Contractual Agreement: The Division incorporates into Grant Award Letters many of the policy issues that are areas of concern to HUD, the State of Nevada and the Division. These agreements, signed by authorized sub-recipient personnel, represent their willingness to comply with these issues. As such, a review of each program Award Letter by sub-recipient staff responsible for managing programs funded by the Division is recommended.

Award Amount: Sub-recipients receiving an annual allocation of up and including \$20,000.00 in ESG or WSAP funds will receive a Desk Audit review. Sub-recipients receiving an award of \$20,001.00 and above in ESG or WSAP funds will receive an on-site compliance review every two and one-half years (2½) to three (3) years unless a Risk Assessment of the sub-recipient determines a more frequent need is required. (Note: All sub-recipients receiving HPRP funds will receive annual on-site compliance reviews, as was submitted and approved by HUD as part of the Division's HPRP Management Plan of the HPRP Program.)

Draw Process: Draw processes for reimbursement of funds have been created to include various areas of compliance required by HUD. Draw reports will be reviewed for eligible costs prior to the actual request of funds from HUD.

Desk Audit: A desk audit is the first step of monitoring recipients each year. Compliance issues considered on this assessment will be combined with any non-compliance or outstanding problems noted during the year and will be used to determine whether an on-site visit will be necessary. Sub-recipients receiving up to and including \$20,000.00 in ESG or WSAP funds will receive only a Desk Audit, which includes a review of reimbursement requests, financial statement review by the Division's Financial Auditor, and the sub-recipient's Risk Assessment Form, which will determine if a sub-recipient is a low, medium, or high-risk agency and is warranted an on-site compliance review. Sub-recipients receiving over \$20,000 in ESG or WSAP funds will receive, at a minimum, a Desk Audit, a Risk Assessment Review, as well as an on-site compliance review every 2 ½ to 3 years.

Risk Assessment: Division staff will conduct a risk assessment of sub-recipients receiving HPRP, ESG or WSAP funds at the beginning of each grant year to determine the need and frequency of site visits during the upcoming year. Included in the assessment will be a determination of risk (low, medium or high) using factors such as financial and program issues, allocation amount, and other discretionary criteria. The Division's Risk Assessment Form will be completed and placed in a compliance file for each sub-recipient receiving grant funds. At a minimum, sub-recipients considered high-risk will receive an on-site review at least annually. A desk audit is the first step of monitoring recipients each year. Compliance issues considered on this assessment will be combined with any non-compliance or outstanding problems noted during the year and will be used to determine whether an on-site visit will be necessary.

On-Site Review: On-site visits for certain aspects of compliance-such as facility verifications, equipment inventory, review of client files and accounting records-that cannot be monitored by other components of the grant process will be conducted as scheduling allows. At a minimum, sub-recipients receiving \$20,001.00 or more in ESG or WSAP funds will receive an on-site visit from Division staff (or other representative as approved by the Division) at least every 2 ½ - 3 years unless a Risk Assessment flags a sub-recipient for a more frequent visit.

Note: Dissemination of program requirements is an important monitoring technique. Project sponsors who read and follow instructions that come through various components listed above during the grant period are *unlikely* to develop areas of non-compliance in their program implementation. Since forms and instructions provided by the Division incorporate vital components of successful program compliance, Recipients should use them advantageously.

Sanctions for non-compliance may include, but are not limited to:

- A warning letter regarding further sanctions for continued non-compliance
- Conditioning a future grant award
- Directives to stop incurring certain costs
- Retraction of remaining grant funds
- Requirement to repay certain grant amounts spent ineligibly
- Reducing the level of funds a grantee may otherwise be entitled to
- Electing not to provide future funds until appropriate actions are taken to ensure compliance

HUD has available CPD Grantee Monitoring Handbooks that detail their policies for auditing Federal Program recipients. It is strongly recommended that program staff review these guidelines available at <http://www.hud.gov/offices/cpd/library/monitoring/handbook.cfm>. **In addition, HUD may request to visit a sub-recipient to review client files during their audit of the Division.** It is very important that recipients obtain and retain the required documentation so that it is available for review by the Division and/or HUD.

Financial Monitoring: The Division is required to review the performance of all sub-recipients that receive HPRP, ESG and WSAP funds from the Division. Financial Monitoring will be conducted by the Division's Financial Auditor to: 1) review the financial records of the sub-recipient, and (2) to offer technical assistance. Financial monitoring may be conducted at the

same time or separately from the applicable Programmatic Site Review. Sub-recipients should make available all accounting records applicable to the project (grant) being reviewed. Verification of documented program matching funds (if applicable) and/or other resources (i.e., bank statement, canceled checks and volunteer hours) as well as evidence of any sub-contracts awarded and paid by the sub-recipient are among the types of documentation to be made accessible for review.

Programmatic Monitoring: Sub-recipients should expect to be monitored by a representative(s) of the Division for the purpose of reviewing the programmatic accomplishments of projects funded under the HPRP, ESG and WSAP Programs, compliance with applicable program regulations, and accuracy of program data reported throughout the grant cycle. The Division representative reviewing the accomplishments of the project will assess actual progress measured against the approved objectives, budget, and timetable proposed by the sub-recipient as part of the review. On-site programmatic monitoring reviews will be scheduled in advance of visit.

The purpose of the programmatic review will be to:

- Evaluate program management in compliance with the application submitted to the Division;
- Assess the accomplishments of the program;
- Offer technical assistance where required; and
- Review regulatory compliance of the program

Items reviewed during the scheduled programmatic site visit will include, but is not limited to:

- Record keeping system (including all financial, contractual, environmental, progress reports, and client complaint data);
- Client eligibility documentation;
- Program compliance documentation;
- Current budgets and any amendments; and
- Applicable Homeless Management Information System (HMIS) data, including evidence of data quality, supporting client data that has been reported in the system, etc.)

Questions should be referred to Soni Bigler, Grants and Projects Analyst II at 775-687-2042 or via email to [sbigler@nvhousing.state.nv.us](mailto:sbigler@nvhousing.state.nv.us)