



Urban County Program Internal Monitoring Plan

PURPOSE:

To ensure policies and procedures regarding monitoring and oversight of all Urban County Program, programs, activities, and contract deliverables will be upheld in accordance with Urban County Program and HUD's rules and regulations

BACKGROUND:

Urban County Program is responsible for the oversight, performance, and evaluation of all HUD's programs and therefore responsible for providing comprehensive, organized and regular monitoring and reporting regarding the performance of its Sub Grantees and Subrecipients.

Under the supervision of the Director, the monitoring staff will monitor and evaluate all elements of HUD programs to ensure:

- ✓ Ongoing program planning;
- ✓ Evaluation;
- ✓ Maintenance of program quality and integrity;
- ✓ Compliance with federal, state, and local laws, regulations, policies and procedures;
- ✓ Compliance with other federal, state, and local contractual requirements;
- ✓ Compliance with local policies and guidelines.

The outcomes of the monitoring function may result in:

- The provision of additional guidance and/or technical assistance;
- Recommendations regarding the continuance of specific guidance and/or basis for additional training of program staff;
- Identification of exemplary performance; or,
- Identification of areas of concerns requiring corrective action (s).

Comprehensive monitoring reviews will be conducted on at least an annual basis. The monitoring function will be conducted through the following means:

- On-site inspection of the systems;
- Financial and client record and file reviews;
- Interviews of program staff and/or
- Observations by monitoring staff of activities being conducted.

Urban County Program

Internal Monitoring Plan

**MONITORING POLICIES &
PROCEDURES**

Urban County Program

Internal Monitoring Plan

TABLE OF CONTENTS

Monitoring Policy/Plan	.....	Page 4
Types of Monitoring	.....	Page 4
Monitoring Reviews	.....	Page 5
Risk Assessment	.....	Page 5
Monitoring Methods	.....	Page 5
Automation (IDIS) Monitoring Procedures	.....	Page 6
Contract Monitoring Procedures	.....	Page 6
Program Monitoring Procedures	.....	Page 7
Monitoring Process	.....	Page 8
Internal Review Process	.....	Page 11
Reporting Fraud and Program Abuse	.....	Page 12
Definitions of Terms	.....	Page 14

Urban County Program

Internal Monitoring Plan

Monitoring Policy/ Plan:

Monitoring Policy/ Plan will ensure that:

- Monitoring will be conducted for Urban County Program funded programs, contracts, and activities determined to be HIGH RISK;
- Corrective action, as necessary, will be requested to achieve the contractual/ programmatic goals and obligations of Urban County Program, and HUD;
- All concerns found during monitoring reviews will be listed as either a **Finding** or **Concern**. A Finding will require a formal corrective action response and file correction in order to be resolved. A Concern is usually an issue that requires attention but normally does not require a response. However, if the Monitor feels a written response is required for an observation, it will be stated in the final report.
- Monitoring reviews will be consistent. Monitoring instruments and forms will be standardized for use in the review of all Urban County Program programs. Findings/concerns will be addressed in a consistent manner;
- Monitoring staff will track Findings/Concerns identified during monitoring reviews so that appropriate technical assistance can be provided to correct these areas and allow for adequate follow-up in subsequent reviews. Special emphasis will be placed on repeat findings/concerns.
- Documentation on all Findings/Concerns identified in the monitoring reviews will become a part of the monitoring file for each Sub Grantee/Subrecipient. All Findings and Concerns requiring corrective measures described in the monitoring report will require a response from the Sub Grantee/Subrecipient in the form of a Corrective Action Response and timeline for implementation of the corrective action. This is in addition to the actual file corrections that are required to fulfill the report criteria for completion of activity.
- All Findings and Concerns requiring a response reported by Monitoring staff will be clearly explained.

Types of Monitoring:

There are four (4) types of monitoring reviews that may be conducted by Monitoring staff. Each has its own objective. They are as follows:

1. **System Monitoring** – automation monitoring of electronic files to determine programmatic activities comply with applicable laws, regulations, contract requirements and other administrative requirements. This method of monitoring will ensure the integrity of the Integrated Disbursement and Information System (IDIS) remains intact and allow for trend analysis of data, pin pointing of deficiencies, and ensure programmatic compliance.
2. **Contract Monitoring** - to determine whether activities and services are being provided at the required level(s). This type of monitoring is geared toward measuring “contract

Urban County Program

Internal Monitoring Plan

deliverables". Determine with reasonable assurance the validity of the underlying activities and services records, procedures and systems that are the basis upon which a Sub Grantee/subrecipient is paid and to ensure that funds are being spent in accordance with all applicable rules and regulations.

3. **Programmatic Monitoring** - to provide an in-depth examination of the quality and integrity of program activities and services being provided. Client case file reviews will encompass the following, but not limited to: Client eligibility, client transactions (counseling sessions), outcomes (entering employment, completing training, accumulation of work skills), and financial. The quality of case management performance and programmatic compliance will be evaluated. Customer service and timeliness will be evaluated under this function.
4. **Financial Monitoring** – to ensure that all Financial matters are being handled in accordance with the Federal, State and Local rules and regulations. A random financial monitoring will be done on Sub Grantee/Subrecipient.

Monitoring Reviews

Formal Monitoring Review: Formal monitoring reviews of Sub Grantee/Subrecipient will occur at anytime in order for monitoring efforts to be effective in identifying problem areas before they become liabilities in the form of disallowed costs. Some monitoring visits can be unannounced.

Follow-Up Monitoring Review: Follow-up reviews will be conducted as necessary to ensure that adequate corrective action has occurred to resolve reported Findings/Concerns and that technical assistance is provided as needed. Follow-up reviews may or may not be scheduled.

Risk Assessment

In evaluating risk associated with Sub Grantee/ Subrecipient the following factors must be weighted:

- **Program Complexity;**
- **Project Complexity;**
- **Level of Funding;**
- **Recipient Capacity;**
- **Staff Capacity;**
- **Quality of Reporting and Documentation;**
- **Past Compliance Problems;**

The risk factor of each Sub-grantee/Sub-recipient will be determine by the total amount of weight points estimated using the Risk Assessment tool. The following are the risk weight points.

Low Risk	0 through 349
Medium Risk	350 through 569
High Risk	570 through 1200

Urban County Program

Internal Monitoring Plan

Monitoring Methods:

The methods used in monitoring include:

- a) **Electronic** review of current programs (CDBG, ESG and HOME) that will review items such as: Project Numbers, activities and fund expenditures that effect programmatic performance. Trend analysis will identify problem areas and alert management to areas that need immediate attention before they become problematic deficiencies.
- b) **Desk** review of existing data (case files), fiscal records and reports, budgets, programmatic reports, statistical data, contracts or other appropriate documents. During the desk review staff will become familiar with the program/ project being evaluated before an on-site visit takes place.
- c) **On-site** reviews are visits to the site of the Sub Grantee/Subrecipient to collect information. **Monitoring staff will review files/records that pertain to the programs project and may interview participants and staff. Items that may be covered on a On-site review includes but are not limited to:**
 - (1) Fixed Asset lists that have not been monitored within 2 years
 - (2) Conducting Home Visits including interviews of program participants
 - (3) Compliance with Labor Standards requirements
 - (4) File Reviews
 - (5) Worksite Conditions
 - (6) Compliance with ADA regulations will also be monitored. Compliance with ADA regulations will be reviewed at time of site visit if applicable.

Automation/Integrated Disbursement and Information System (IDIS)

This level of quality assurance will allow monitoring of project numbers, activities, and programs expenditures via electronic reports. Monitoring to ensure timely data entry and continued electronic file maintenance will enable the Urban County program to provide quality service. Automated reports will be retrieved to determine that programmatic activities comply with applicable laws, regulations, contract requirements and other administrative requirements.

General areas to be monitored include, but are not limited to, the following:

- Project compliance
- Activities Compliance
- Financial Compliance

Contract Monitoring:

The program Monitoring Guide, 24 CFR 84 and 85, OMB Circulars and any other applicable Federal, State and Local guide lines will be utilized to ensure that all fiscal areas have been reviewed, and that Sub Grantee/Subrecipient are in compliance with all applicable rules and regulations. Monitoring staff will conduct the following review:

Urban County Program

Internal Monitoring Plan

- Review, and compare on-site, invoices by tracing the costs billed back to the original source documents.
- Review, and compare on-site, the contract statement of work to actual practice; ensure all program policies and regulations are followed.

Monitors may conduct periodic Sub Grantee / Subrecipient on-site financial monitoring on a regular basis. Such monitoring consists of testing internal controls, revenues, payroll and other disbursements.

General areas to be monitored include, but are not limited to, the following when applicable:

- Operating Policies and Procedures
- Statement of Work/Contracts/Plans
- Audit Procurement
- Financial Management Systems
- Cost Management
- Property Control and Accountability

Program Monitoring:

It is the goal of this area of monitoring to provide evaluation of programs that integrates program integrity issues with program quality issues. Program monitoring will address:

- A. The appropriateness of the activities for clients;
- B. The quality of the services provided;
- C. Programs achieve intended results;
- D. Compliance with terms and conditions set forth in the contract

The Monitoring personnel will conduct formal scheduled monitoring reviews of each Sub Grantee/Subrecipient **determined High Risk as per the annual risk assessment evaluation conducted** during the program year. In addition, unannounced and follow-up reviews may occur at any time during the program year.

The Monitoring personnel schedules all formal monitoring reviews at the beginning of each program year. The schedule will, however be *tentative* to allow for flexibility if additional time is required for a review. The annual monitoring schedule will list the program and the activity to be monitored **in accordance to the High Risk factor.**

Urban County Program

Internal Monitoring Plan

Monitoring Process:

The monitoring process is conducted as follows:

1. Monitoring personnel will fax/e-mail a **Letter of Introduction** to the Sub Grantee/Subrecipient scheduled for review at least two (2) weeks prior to the start of the on-site review. The letter will contain, at a minimum, the type(s) of monitoring review to be conducted, the program(s) and/or activity(s) to be reviewed and the date the review is scheduled to begin. A phone call will be made to confirm the appointment time and date.
2. Monitoring staff will conduct a **desk review** prior to the start of the on-site visit. During the desk review, the following areas will be reviewed:
 - ✓ Client data;
 - ✓ Eligibility verification documentation;
 - ✓ Financial reports, and invoices from Sub Grantee/Subrecipient;
 - ✓ IDIS data;
 - ✓ Correspondence between the Urban County Program and the Sub Grantee/Subrecipient;
 - ✓ The contract, modifications, and amendments containing budget information;
 - ✓ The contract statement of work.
3. Monitoring personnel will schedule an **Entrance Conference** on-site with the Sub Grantee/Subrecipient representative(s). Items to be discussed will include, but not be limited to, the following:
 - a. Purpose and scope of the monitoring review;
 - b. Estimated duration of the review process;
 - c. Documents/files to be reviewed;
 - d. Staff to be interviewed;
 - e. Reporting procedures that will be used by Monitoring personnel.

Each monitoring tool used will list the deficiencies found during the monitoring review. On the final day of the monitoring review, an **Exit Meeting** will be held to explain in detail the major areas of concern and deficiencies found. This allows Sub Grantee/Subrecipient staff ample time to correct findings or concerns. The Sub Grantee/Subrecipient will be given **30** working days to respond from the date the final report is received.

- f. Procedures for responding to the monitoring report.

Special efforts will be made to ensure that the Management and staff understand that monitoring is a management tool that helps to prevent audit exceptions. At the entrance

Urban County Program

Internal Monitoring Plan

conference, all persons in attendance will be asked to sign an attendance sheet to document that the interview was conducted. This sheet will be kept in the monitoring file.

4. After the Entrance Conference, Monitoring staff will begin the monitoring review. On-site monitoring will be conducted by utilizing any monitoring tools that have been developed in accordance with HUD standards. Furthermore, as Urban County Program implements additional programs or desires to improve the monitoring process, new monitoring instruments will either be developed in-house, or obtained from funding sources. Discovery of possible fraud and/or program abuse will be reported directly to the Director for appropriate action.

During the on-site review, monitoring staff will conduct a comprehensive document search. The monitoring guides being utilized will drive the on-site visit. However, attention must be given to ancillary information obtained as a direct result of specific questions in monitoring guides. Monitoring staff must be alert to the fact that information gathering is not limited to specific questions contained in monitoring tools, and that additional information may be obtained through the process of investigating facts or procedures.

Rather than merely proceeding through the questions in a monitoring instrument, it is important for monitoring staff to seek out causal factors that contribute to administrative, operational or programmatic weaknesses. *It is the intent of the monitoring staff to identify problems during the on-site visit.* If a severe breach in procedure is discovered or a problematic situation is observed that requires immediate attention, it will be brought to the attention of the Sub Grantee/Subrecipient and the Urban County Program Director immediately by monitoring staff and will be followed up by written notice.

During interviews it is important that notes be made by monitoring staff of any pertinent comments made by the person being interviewed even if the response does not address a specific question from the monitoring guide. Monitoring staff must be objective and refrain from allowing personal feelings to enter any discussion. It is important that any response that seems unclear be clarified. Interviews should be focused on staff responsibilities and how they perform their various functions. Documentation obtained as a result of interviews will become part of the monitoring file.

5. After the on-site review has been completed, Monitoring staff will schedule an **Exit Meeting** with the Sub Grantee/Subrecipient. Items to be discussed in the Exit Meeting will include the following:
 - a. An overview of any **Findings or Concerns** identified during the review. Monitoring staff will be factual, helpful, and courteous in explaining the results of the review. For the purpose of defining a Finding or a Concern, the following information is provided.
 - (1) **Finding:** A conclusion of importance based on violations of contract terms and conditions, federal, state and local laws, regulations, policies, and directives, and/or repeated observations that require a written corrective action respond to resolve.
 - (2) **Concern:** An item of objective data found during a monitoring review normally

Urban County Program

Internal Monitoring Plan

less severe in nature than a Finding and usually does not require a respond; however, the monitoring staff has the right to request a corrective action response for concerns when they feel that a possible negative trend is developing or continuing.

- b. Recommended **corrective action** should be implemented immediately to correct any noted deficiencies. At this time, the Sub Grantee/Subrecipient will be informed that it is a requirement that they respond to each finding. Verification of action taken to correct the deficiencies cited in the report will be done for each report. The corrective action respond will include a **Corrective Action Response** stating the action taken to resolve the issue.

All persons present will be asked to sign an attendance sheet to document that the interview took place and that these items were discussed, but not necessarily agreed to, with Sub Grantee/Subrecipient.

NOTE: Monitoring staff will evaluate all corrective actions to ensure the actions taken will resolve and clear the findings and concerns.

6. After the Monitoring staff completes the on-site review a final monitoring report will be prepared and will be issued within 20 working days from the date of the Exit Meeting. Each monitoring report will have a **Transmittal Letter** signed by the Urban County Program Director. If corrective action is recommended, a response must be submitted detailing the corrective action taken to resolve the findings or concerns.

The Transmittal Letter attached to the final monitoring report will allow thirty (30) working days from the date of the transmittal letter to Sub Grantee/ Subrecipient to provide a written response to the areas identified as findings/concerns. An *extension* of time for submission of the respond from Sub Grantee/Subrecipient may be requested. A written request must be submitted stating viable reason for an extension. Upon receipt and approval of the Director, an additional seven (7) working days will be granted for the submittal of a complete response. *Any additional time or extensions needed for responding will be at the discretion of the Director.*

The completed monitoring report is provided to the Sub Grantee/Subrecipient in a letter detailing findings or concerns if any, and the requirements of response. The monitoring staff will also provide copies of the report to the appropriate Urban County Program Administration staff as deemed necessary.

7. If corrective action of deficiencies is warranted, upon receipt and evaluation of the SG/SR response, monitoring personnel will communicate in writing, whether response was rejected or accepted. If the corrective action is considered inadequate in addressing monitoring report issues, a letter will be provided to the Sub Grantee/Subrecipient that specifies why it was unacceptable and will specify the additional information that is required to make the response acceptable.
8. If the response to the deficiencies is not provided within the specified time frame (in the initial monitoring report or in the extension granted), the Sub Grantee/Subrecipient will receive

Urban County Program

Internal Monitoring Plan

written notification from the Director stating the *non-compliance* and request a meeting for Sub Grantee/Subrecipient management. If the non-compliance persists after meeting with SG/SR staff, the Urban County Program, Director will notify SG/SR of non-compliance and a request for correction action (sanctions) will be issued. These sanctions may include:

- **Limited Denials of Participation (LDPs)** are sanctions of the shortest duration usually lasting one year and normally restricted to a specific geographic area and specific HUD program area. Generally, HUD Field Offices impose LDPs.
 - **Suspensions** are imposed for a temporary period, pending the outcome of an investigation, an indictment or on adequate evidence that support claims of program violations. A suspension means that an individual or entity is immediately excluded from participating in further Federal Executive Branch procurement and non-procurement programs. Suspension frequently leads to debarment.
 - **Debarments** are the most serious compliance sanctions, generally imposed for three-years or longer, if warranted. A debarred individual or entity is excluded from conducting further business with any Federal Executive Branch procurement and non-procurement program. If a suspension precedes debarment, the suspension period is taken into consideration when determining the total length of time that debarment is imposed.
9. Monitoring staff will make available to the Director all notes, work papers, completed monitoring guides and forms, copies of relevant documents and other appropriate information that support the monitoring report and any findings and/or Concerns cited in the report.
 10. Monitors will conduct **follow-up reviews** to verify that the appropriate recommended corrective action has taken place. The follow-up review may be scheduled or unannounced. Monitors will prepare and submit a **Follow-up Report Letter** that reflects the status of each finding or concern. A copy of the Follow-up Report Letter will be provided to the appropriate Sub Grantee/Subrecipient.
 11. If the Follow-up Review indicates that corrective action agreed to has not been implemented as referenced in the response, the Monitoring staff may recommend to the Director that corrective action be taken for non-compliance. The same methodology will be referred to if the response states that all deficiencies in the report have been corrected and in fact there have been no corrections made. The imposition of corrective action to the Sub Grantee/Subrecipient may be suspended if immediate and appropriate correction of deficiencies reported is completed and verified by monitoring staff. Additional follow-up visits may be conducted as considered necessary by Director.

Internal Review Process

A comprehensive internal review of UCP Administrative and programmatic systems shall be made as necessary to address improvement in operations systems.

Monitoring checklists/tools will be developed and used by all Evaluators to ensure a consistent and objective review is conducted.

Urban County Program

Internal Monitoring Plan

REPORTING FRAUD & PROGRAM ABUSE

Generally, fraud and program abuse is committed for financial gain. The frequency of these abuses may result from the lack of adequate management and operational systems. Deficiencies in management and operational systems include, but are not limited to:

1. Pre-Award Survey - lack of a formal system for awarding subcontracts.
2. Written Contracts - responsibilities of each party in the agreement were loosely defined.
3. Monitoring and Self Evaluation - adequate systems were either not developed, or not implemented.
4. Prompt and Appropriate Action - significant time elapsed from the time of discovery and when an incident was reported to Urban County Program. Urban County Program has outlined policies and procedures for reporting and updating incident reports concerning known or suspected incidents of fraud or program abuse involving Sub Grantee/Subrecipient employees, contractors, or program clients.

The procedure requires that the Urban County Program and Sub Grantee/Subrecipient take immediate administrative actions to report any knowledge of suspected fraud or program abuse to HUD. This is done through the completion and submission of an Incident Report to HUD's San Antonio Area. The report is used to initially inform HUD of incidents involving employees, contractors or clients being investigated by or reported to other investigative agencies.

There are no procedures that will guarantee the total elimination of fraud and program abuse. However, monitors should be aware of fraud indicators to help control, detect fraud, and program abuse. Some of the potential fraud indicators are:

- a. Significant lack of internal controls.
- b. Refusal or failure of a Sub Grantee/Subrecipient and Contractor to allow an independent audit to be conducted.
- c. Excessive or unjustified turnover in personnel with accounting responsibilities.
- d. Payment to fictitious companies or persons.
- e. Lack of sufficient vouchers and support documentation.
- f. False or altered entries and documents.
- g. Excessive bad debt write-offs.
- h. Failure to reconcile bank statements.
- i. Personal expenses paid with HUD funds.

Urban County Program

Internal Monitoring Plan

- j. Lack of separation of duties for staff with accounting responsibilities.
- k. Unexplained employee payroll increases.
- l. Lack of competitive bidding.
- m. Unexplained or questionable wealth of employees.
- n. Excessive changes in accounting principles or disregard for generally accepted accounting practices.
- o. Excessive photocopies of invoices in the files.
- p. Excessive checks to cash or individuals.
- q. Company loans to employees or other persons.
- r. Excessive or large cash transactions.
- s. Issuance of post-dated checks.
- t. Excessive number of checking accounts without a true business purpose.
- u. Maintaining two sets of financial records.
- v. Failure to conduct verification of eligibility by someone other than staff certifying eligibility.
- w. Checks that are improperly endorsed or signed by individuals with no signatory authority.
- x. Enrollment of individuals with no source of income or support identified on the application for services.

Urban County Program

Internal Monitoring Plan

DEFINITION OF TERMS

FRAUD, MISFEASANCE, NONFEASANCE or MALFEASANCE:

Fraud, including misfeasance, nonfeasance or malfeasance should be considered broadly as any alleged deliberate action that is apparently in violation of Federal Statutes and Regulations. This category includes, but is not limited to the following:

- a. indications of bribery;
- b. forgery;
- c. extortion;
- d. embezzlement;
- e. theft of client checks;
- f. kickbacks from clients;
- g. intentional payments to a Contractors without the expectation of receiving services;
- h. payments to "ghost" clients/contractors;
- i. misuse of appropriated funds; and
- j. misrepresenting information in official reports.

MISAPPLICATION OF FUNDS:

Misapplication of funds should be considered as any alleged use of funds, assets or property not authorized or provided for under applicable rules, regulations, grants or contracts. This includes, but is not limited to the following:

- a. nepotism;
- b. political patronage;
- c. use of client for political activities;
- d. ineligible clients;
- e. conflict of interest;
- f. failure to report income from Federal funds;

Urban County Program

Internal Monitoring Plan

- g. violation of contract/grant procedures; and
- h. the use of Federal funds for other than specified purposes.

GROSS MISMANAGEMENT:

Gross mismanagement should be considered as actions or situations arising out of management ineptitude or oversight, leading to major violations of processes, regulations or contract/grant provisions that could severely hamper the accomplishment of program goals. These include situations, which lead to waste of Government resources, and could jeopardize future support for a particular project. This category includes, but is not limited to, the following:

- a. unauditible records;
- b. unsupported costs;
- c. inaccurate fiscal and/or program reports;
- d. payroll discrepancies;
- e. payroll deductions not paid to the Internal Revenue Service; and
- f. the lack of good control procedures.

EMPLOYEE/CLIENT MISCONDUCT:

Employee/client misconduct should be considered as occurring during or outside work hours that reflect negatively on the Urban County Program programs and the County of Hidalgo. It may include, but is not limited to, the following:

- a. conflict of interest or the appearance of conflict of interest involving outside employment, business and professional activities;
- b. the receipt or giving of gifts, fees, entertainment and favors;
- c. misuse of Federal property;
- d. misuse of official information; and
- e. such other activities that might adversely affect the confidence of the public, as well as serious violation of Federal and State laws.

PROGRAM ABUSE:

At a minimum, Urban County Program considers the MISAPPLICATION OF FUNDS, GROSS MISMANAGEMENT and EMPLOYEE/CLIENT MISCONDUCT to be program abuse; notwithstanding the fact that some actions may fall into other defined legal offense categories.

Urban County Program

Internal Monitoring Plan

HOTLINE:

A HUD Fraud & Program Abuse Hotline number has been established for individuals to notify HUD of suspected fraud or program abuse. To avoid fear of reprisal, the Hotline permits reporting of matters anonymously, if desired. **The Hotline will not be used for resolving grievances, ANONYMOUS complaints, labor disputes or other personnel concerns.**

HOTLINE Number: 1-800-347-3735

FAX: (202) 708-4829

EMAIL: HOTLINE@hudoig.gov