

## Implementing Activities

The primary purpose of HCCSD's monitoring program is to ensure that subrecipients of Harris County entitlement funds carry out their activities in accordance with the respective regulations and individual applications for funding and all relevant agreements, while also ensuring that funded projects and programs continue to follow the direction of the Consolidated Plan and any other relevant comprehensive plans developed by HCCSD.

Specific areas of subrecipient operations that will be reviewed by HCCSD staff include financial performance, project timeliness, record-keeping procedures and compliance with federal regulations and applicable program guidelines. Staff members will continually assess subrecipient activity to determine organizational ability to carry out approved projects. Where potential problem areas are found, HCCSD staff will assist subrecipients by providing technical assistance and training.

### Performance Measurement

HCCSD currently utilizes HUD's performance measurement system. Using this system for each measurable objective the appropriate objective, outcome, output indicator and quantifiable outcome statement have been created. The matrix of programs and performance measurement outcomes are included in the appendices.

### Program Objectives

HCCSD has established performance measures and strategically conducts monitoring reviews of programs to ensure that they are carried out in a timely manner and in accordance with the County's five-year strategy. A statement of work will be developed for each activity funded under the Consolidated Plan. This statement of work will be incorporated into a written agreement between the County and the subrecipient. At minimum, the statement of work will provide:

- a description of the work to be accomplished;
- a schedule for completion of the work; and
- a line-item or unit cost budget for the proposed activity.

The statement of work will be written in sufficient detail to allow HCCSD to monitor performance.

HCCSD currently monitors subrecipient progress on a scheduled basis. For construction-related projects, weekly updates are received from the Harris County Public Infrastructure Department and from the respective project and construction management representatives of the funded entities. These updates detail project costs, milestone accomplishment and significant events. Data from these updates will be used to determine subrecipient success in meeting program objectives as related to the Consolidated Plan.

## **Reporting and Tracking Systems**

All subrecipients must submit the following written reports and forms to HCCSD:

### CDBG- and ESG-funded Subrecipients (Public Service Projects)

*Individual Eligibility Form:* Submitted with monthly reports for new participants, provides certification by participant of income, household size and service area. This form certifies the participant's eligibility prior to delivery of service. For persons younger than 18 years of age, parent or legal guardian must sign the form.

*Project Status Report:* This report tracks the number of units delivered per month and cumulatively. When not on target with the contract goal or amount of award expended for the percent of contract time elapsed in the program year, subrecipients must provide an explanation for the shortfall and provide a plan of action to get on target.

*Client Data Report:* Submitted monthly, this report lists all new and duplicate clients served during the reporting month, as well as the number of units of service per client and other requested demographic information.

*Tally Sheet:* Submitted monthly, this report provides a cumulative summary of the number of new persons served by the program during the program year.

*Employee Data Report:* Submitted monthly, this report documents Equal Employment Opportunity (EEO) Compliance regarding persons employed in Federally funded programs.

*Mid-Year Report:* Subrecipients submit a narrative summary of the project's activities, goals and evaluation of the effectiveness of the program through the first half of the program year.

*Annual Performance Report:* Subrecipients submit a narrative summary of the project's activities, goals and evaluation of the effectiveness of the program for the entire program year.

Monthly and Mid-Year reports are to be submitted in accordance to their subrecipient agreements. The annual performance report is due within one month after the end of the contract period. Staff performs desk reviews of the information submitted on a monthly basis and notifies the agency of any discrepancies. Staff also conducts annual monitoring visits to ensure that the agency has implemented the program and administered the funding according to all applicable Federal requirements.

HOME- and CDBG-funded Subrecipients (Affordable Housing Projects)

*Construction Period: Weekly Certified Payrolls:* In accordance with Davis-Bacon and Related Acts, the general contractor must submit original weekly payrolls for review to the Grantee.

*Lease-up Period:* For multifamily projects, from the first month in which a HOME-assisted unit is leased until 100% of the HOME-assisted units are leased, a Rental Housing Compliance Initial Lease-Up Report must be submitted each month by the 10<sup>th</sup> day of the following month.

*Affirmative Fair Housing Activities:* During the Lease-up Period, the Affirmative Fair Housing Activity Report (HUD form 935.2) must be submitted with the Compliance Report. The report documents marketing activities employed to during the previous month.

*Affordability Period: Compliance Reports:* For multifamily projects, a Rental Housing Quarterly Compliance Report must be submitted to Grantee for HOME-assisted units for the duration of the affordability period. The quarterly reports are due as follows: June 10<sup>th</sup> for the first quarter (March, April, May); September 10<sup>th</sup> for the second quarter (June, July, August); December 10<sup>th</sup> for the third quarter (September, October, November); March 10<sup>th</sup> for the fourth quarter (December, January, February).

**On-Site Monitoring**

Scheduled site visits are conducted by HCCSD staff to monitor program progress. The purpose of HCCSD's on-site monitoring program is to determine if a subrecipient is carrying out its program activities as described in the application for assistance and the written agreement. On-site monitoring is also used to ensure that required records are maintained to demonstrate subrecipient compliance with applicable regulations. All Affordable Housing projects are monitored annually throughout their affordability periods.

The frequency of on-site monitoring is determined as a result of risk analysis conducted by HCCSD staff. Through risk analysis, priorities are established and resources allocated. Subrecipients that represent the greatest vulnerability to fraud, waste and mismanagement are monitored within the resources available. Risk factors evaluated include:

- Subrecipient experience with CDBG program or other federal grants;
- Subrecipient staffing, to include turnover and key staff experience;
- Previous compliance or performance problems;
- Nature of activity (housing, economic development; relocation, acquisition); and
- Scope of program.

Agencies are notified in writing of any findings and given a date by which all findings are to be addressed, as well as corrective actions that must be taken to address the findings. The monitoring letter also addresses concerns and makes recommendations for improvement. HCCSD staff conducts a financial monitoring review of all subrecipients. Agencies are required to certify that funds are being used in accordance with their contract with Harris County.

In addition to monitoring conducted by HCCSD, the Harris County Auditor's Office has a Grant Monitoring Program which consists of a Compliance Review of the Grant Monitoring process performed by the Grantee Department (HCCSD) and a direct review of the records of select subrecipients.

Harris County will continue to use these established procedures and will incorporate any additional requirements on an as-needed basis.

### **Timeliness Monitoring**

In order to monitor the timely expenditure of funding, HCCSD tracks the expenditures of subrecipients on a regular basis. Projects funded with CDBG Public Service and ESG dollars are reviewed monthly to track what is expended against the amount of services provided. CDBG General Activity and HOME projects are monitored on a weekly and quarterly basis to assist in the identification of slow-moving projects. All projects have monthly service and expenditure benchmarks noted in their contracts.

### **Minimal Acceptable Standards for Housing**

All properties receiving funding must meet property conditions as set forth by HUD and HCCSD. Each property must undergo inspections using the forms and procedures required by HUD.

*New Construction Homes:* Since a formal inspection is provided by the lending agent, only a final HQS or Single Family Home (SFH) inspection conducted by HCCSD is required. HCCSD retains copies of the Compliance Inspection Report for FHA new construction loans.

*Pre-Owned Homes:* A Texas Real Estate Commission (TREC) inspection is required on all pre-owned homes. If repairs are needed, a follow-up TREC

inspection is required to ensure proper repairs were completed. HCCSD will conduct a final inspection once the TREC inspections are completed.

*Audit Inspection:* Audit Inspections are conducted to ensure that each inspector is performing as required. HCCSD or its representative audits at least 20 percent of each inspector's inspections. Properties are chosen at random and any items found to be substandard at the time of the audit inspection must be repaired to meet the minimum standards prior to closing.

*Termite Inspection:* It is the responsibility of the seller to obtain a termite inspection for all pre-existing properties.

#### Additional Requirements:

All units built before 1978 are required to comply with the lead-based paint regulations as described in 24 CFR Part 35.

New construction homes and pre-existing homes undergoing remodeling must meet the current Energy Star Certification requirements.

In addition to HCCSD property standards, all units must meet and comply with state building codes, which have been adopted by Harris County. The state codes are the International Residential Code, International Plumbing Code, International Mechanical Code, and International Energy Conservation Code.

Other governing rules and regulation will also be observed, such as Homeowner Associations, local and federal regulations pertaining to the particular zoning, traffic, drainage, floodplains, and fire.

#### **HOME-Specific Homebuyers Recapture Guidelines**

The Department's Downpayment Assistance Program is designed to assist eligible, low-income applicants with the purchase of decent, safe, and sanitary housing by providing financial assistance for downpayment, closing cost, and mortgage assistance for new construction and/or existing housing. Funds for assistance are available as a deferred or amortized loan. Both the housing and potential homebuyer must be eligible for the program, following specific standards and requirements from HUD and HCCSD.

Each loan made under the program includes requirements for recapture of the remainder of the loan should the homebuyer sell during the "recapture period." If the house is sold during the recapture period (except in instances of a foreclosure, trustee's sale or a deed in lieu of foreclosure) then the amount that will be owed is the full amount of the loan. In the event the property is sold pursuant to a foreclosure, trustee's sale or a deed in lieu of foreclosure, the recapture method set forth in 24 CFR 92,254 (a)(5)(ii)(A)(1)

will be used to recoup the mortgage assistance investment. If the net proceeds are not sufficient to recapture the full investment plus enable the homeowner to recover the amount of the homeowner's downpayment and any capital improvement investment made by the homeowner since purchase, the homebuyer may share the net proceeds but only to extent HCCSD is required to do so by applicable regulations including 24 CFR 92.254 (a)(5)(ii)(A)(3).

To ensure awareness of the recapture requirements involved in receiving a loan through the Downpayment Assistance Program, all applicants are required to sign an Applicant Certification form.

Additionally, HCCSD conducts an annual mail-out to all homebuyers still under affordability restrictions. Each homebuyer must confirm residency/primary occupancy of the home purchased with federal funds. Any homebuyer found not residing in the unit is referred to the Harris County Attorney's Office to pursue recapture of funds.