

# **APPENDIX J**

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## **OCD-DRU Long-Term Compliance and Monitoring Plan**

**State of Louisiana**

**Certification Checklist**

Prepared by  
Louisiana Office of Community Development/Disaster Recovery Unit



*Office of Community Development/Disaster Recovery Unit  
Long-Term Compliance and Monitoring Plan*

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## **OCD/DRU Long-Term Compliance and Monitoring Plan**

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### 1. Introduction

Hurricanes Katrina, Rita, Gustav and Ike were among the deadliest, most costly disasters to ever hit the State of Louisiana. To aid with the recovery effort, the U.S. Congress appropriated Community Development Block Grant (CDBG) funds for the State of Louisiana through various public laws. The total appropriation amounts for Hurricanes Katrina and Rita were \$13.4 billion. An additional \$6.5 billion was appropriated for the recovery efforts after Hurricanes Gustav and Ike. The Office of Community Development/Disaster Recovery Unit (OCD/DRU) is tasked with administering these CDBG Disaster Recovery funds through various housing, economic development, planning, and infrastructure programs as described within each Disaster Recovery Action Plan and Action Plan amendment.

Grantees are responsible for carrying out their programs to meet these compliance requirements, including monitoring their project administrators, contractors and subcontractors. The Department of Housing and Urban Development (HUD) requires monitoring and evaluation of recipient performance and compliance with Disaster Recovery CDBG program, statutory and regulatory requirements. CDBG regulation (24 CFR 570.501(b)) states that:

“[The grantee] is responsible for ensuring that CDBG funds are used in accordance with all program requirements. The use of designated public agencies, Subrecipients, or contractors does not relieve the recipient of this responsibility. The recipient is also responsible for determining the adequacy of performance under Subrecipient agreements and procurement contracts, and for taking appropriate action when performance problems arise...”<sup>1</sup>

The monitoring process has three primary objectives:

First, it is a process to gauge the overall program progress and effectiveness of the contractors, State Grantees, Local Grantees and/or Subrecipients, as applicable, in meeting the program objectives, goals and requirements articulated in the Binding Agreement(s).

Second, it serves as a management tool to identify issues that may compromise program integrity, funding, and service delivery for corrective action and resolution.

Third, it serves as a technical assistance tool to identify areas in which to strengthen program capacity and quality of service delivery.

Monitoring is designed to make sure that programs are operating efficiently and effectively and that Disaster Recovery CDBG funds are being used appropriately. Monitoring may occasionally identify situations where certain activities or the absence of certain activities raise an issue of concern or violate program or statutory requirements. A finding of deficiency is noted when there is evidence that a statute, regulation or requirement has been violated. If compliance is not possible, monetary or administrative sanctions may be imposed upon the Grantee, the OCD/DRU or both.

The OCD/DRU's standardized Long-Term Monitoring Plan allows program monitoring to be tailored for monitoring any Direct Subrecipient, State or Local Grantee (Parish or municipality) implemented programs and projects. The Plan uses checklists which include compliance areas applicable to all

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<sup>1</sup> **Managing CDBG** A Guidebook for Grantees on Subrecipient Oversight, Chapter 5-2

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program/project types, however all sections of the checklists may not apply to every program or project. The Monitor should reference the OCD/DRU Disaster Recovery CDBG Administrative Manual (located at <http://www.doa.louisiana.gov/cdbg/dr/dradmin-manual.htm>) for guidance related to the topics covered within each of the monitoring checklists.

### 2. Terminology

The following terms are used throughout this document:

1. **Binding Agreement** – An agreement that, pursuant to state and HUD regulations, obligates the parties to expend or distribute federal funds and undertake responsibilities as set forth in the agreement. For the purposes of this monitoring plan, Binding Agreements include Cooperative Endeavor Agreements, Interagency Agreements, and Contracts with procured agencies, commercial concerns, or Program Beneficiaries.

**Community Development Block Grant (CDBG)** – Type of grant provided through HUD to address a wide range of community development needs.

**Compliance Manager** – The lead member of the OCD/DRU Compliance and Monitoring Team who is responsible for ensuring adequate monitoring occurs for all OCD/DRU programs.

**Compliance Analyst** – The OCD/DRU staff who manages compliance activities for all OCD/DRU programs and projects.

**Contract Administrator** – The individual responsible for ensuring that services outlined in the contract are performed adequately, within a specific time frame, and within budget.

**Contractor** – An entity competitively selected to provide clearly-specified goods or services. The contract price is established through the procurement process. CDBG funds are paid to the contractor as compensation for the satisfactory provision of the goods and services as specified in the contract.

**Cooperative Endeavor Agreement (CEA)** – A Binding Agreement between a State Agency and another State Agency, Local Entity or Non-profit group.

**Direct Subrecipient** – A public or private nonprofit agency, authority or organization that is provided DR CDBG funds from DRU for use in carrying out agreed-upon eligible activities.

**Disaster Recovery Community Development Block Grant (DR CDBG)** – Supplemental funding appropriated by Congress in response to disasters in the form of CDBG Disaster Recovery assistance.

**Financial Lead** – The OCD/DRU staff person that provides technical assistance to Financial Analysts and manages financial compliance activities for onsite monitoring reviews.

**Grantee** – The Parish or Municipality that has a binding agreement in place with the OCD/DRU to administer the Disaster Recovery CDBG program(s) and/or project(s).

**Interagency Agreement (IA)** – A Binding Agreement entered into by two State Agencies.

**Level 1 Monitoring** – Monitoring of Contractors, Grantees and/or direct Subrecipients.

**Level 2 Monitoring** – Monitoring performed by Grantees or Subrecipients.

**Local Grantee** – The local parish or city receiving CDBG funds directly from the OCD/DRU.

**Monitored Entity** – The State Agency, OCD/DRU Department, Contractor, or Local Grantee (Parish/Municipality) that is evaluated during a monitoring review.

**OCD/DRU** – Denotes the State of Louisiana Division of Administration, Office of Community Development/Disaster Recovery Unit.

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**Process Lead** – The OCD/DRU staff person who tracks all compliance monitoring efforts and provides technical assistance to Compliance Analysts during onsite monitoring reviews.

**Program Analyst** – The OCD/DRU staff who manages the day-to-day activities for a specific Disaster Recovery Grant Program/Project. The Program Analyst reports to the SPM over the specific Program.

**Project** – The housing, infrastructure, economic development, or planning endeavor undertaken by the Grantee.

**State Program Manager (SPM)** – The individual designated by the OCD/DRU to manage and administer a Disaster Recovery Grant Program.

**Subrecipient** – A public or private nonprofit agency, authority or organization that is provided CDBG funds for use in carrying out agreed-upon eligible activities.

**U.S. Department of Housing and Urban Development (HUD)** – The federal agency providing administration and oversight of CDBG funding.

### 3. Methodology

The OCD/DRU's monitoring strategy includes the use of desk reviews by the OCD/DRU program staff and onsite monitoring by the OCD/DRU compliance staff. During the desk reviews, the program analyst may sample program, project, contractor, or Subrecipient documentation to draw conclusions about the monitored entity's performance or to validate the monitored entity's capacity to complete the program(s) in a timely, efficient, economical, and effective manner. The monitoring process is performed based on priority, which is typically determined by the results of a risk assessment.

Quarterly, the Process Lead will identify the entities to be monitored based on the results of the risk assessments and the threshold established (i.e., percentage of funds expended, total allocation, number of projects). The Compliance Manager and Process Lead, in conjunction with the Program Managers and other stakeholders, will prioritize the entities based on known information and staffing availability. At this point, additional entities may be added to the monitoring schedule to accommodate changing monitoring priorities.

*Note: Economic Development projects will be monitored by the OCD/DRU Economic Development staff. The DRU Director of Programs will approve and sign the Notification, Monitoring Report and Corrective Action Letters for the projects monitored by the Economic Development staff.*

#### 3.1 Risk Assessment and Monitoring Prioritization/Scheduling

The priority of reviews can be based on either the Grantee/Subrecipient Risk or the Project Risk:

1. Grantees identified as "high risk" (per Section 3.1.1) would be monitored first; or,
2. Grantees with the most "high risk" projects (as identified by the risk assessment within Section 3.1.2) would be monitored first.

The population of Grantees/projects may be limited by establishing a specific threshold (i.e., percentage of funds expended, total allocation, number of projects, etc.). Additionally, in lieu of reviewing 100% of projects, a sample will be selected for review using the methodology described in Section 3.2.1 to determine the overall capacity of a Grantee/Subrecipient to administer DR CDBG projects.

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**The prioritization/scheduling approach should be documented prior to initiating the reviews.**

To execute a risk assessment, the following steps should be followed:

1. Complete assessment based on risk criteria and thresholds (see Section 3.1.1 and 3.1.2).
2. Each criterion should be scored as high, medium, or low risk for each entity within the set (Grantee, Subrecipient, Project, Program).
3. Combine the risk criterion scores for each entity within the set to determine the overall risk level.

Once the risk assessment is completed for all entities within the set, the monitoring reviews should be prioritized so that high-risk entities (Grantee, Subrecipient, Project, Program) are monitored first. Reviews should be grouped by Grantee to minimize the number of visits throughout the year. The Grantee or Subrecipient should be monitored (using the Core Checklist) prior to or simultaneously with monitoring of their projects/programs.

After the initial monitoring visit, additional monitoring (onsite or desk) should be performed by Program Analyst for all active Grantees, Subrecipients, programs and/or projects through closeout. Additional reviews of programs/ projects requiring follow-up activities and/or corrective actions should take precedence over those not requiring such actions. The program/project risk should also be taken into account when scheduling additional reviews. Risk assessment results may be used to identify specific areas of concern and to determine the prioritization or frequency of onsite reviews.

### 3.1.1 Grantee/Subrecipient Risk Assessment

A desk review should be performed by Program Analyst for each Grantee/Subrecipient soon after the binding agreement has been executed to verify initial performance and identify any technical assistance needs. However, if multiple Grantees or Subrecipients are engaged to implement the projects/programs, the monitoring reviews can be prioritized by executing the Grantee/ Subrecipient Risk Assessment, included as Exhibit 1 and described in Table 1.

**Table 1 Grantee/Subrecipient Risk Assessment Criteria**

Criteria	Description	High Risk	Medium Risk	Low Risk
Funding	Grantee's total amount of <u>funds remaining</u> to be disbursed from all combined Disaster CDBG allocations.	7 Points	5 Points	3 Points
		\$200,000+	\$100,000 - \$199,000	Less than \$100,000
Risk/ Number of Projects	The number and type of approved projects.	5 Points	3 Points	1 Points
		20+ Projects or 7+ High-Risk Projects	10-19 Projects or 5+ High-Risk Projects	9 or Fewer Projects or Less than 5 High-Risk Projects
Implementation Method	The Grantee's use of Subrecipients, consultants, or internal staff to carry out their programs/projects.	7 Points	5 Points	3 Points
		Subrecipient	Grantee Staff	Consultant
Relevant Experience	The Grantee's experience of administering CDBG funds.	5 Point	3 Points	1 Point
		No Experience	1 to 3 Years of Experience	4+ Years of Experience
Compliance History	The Grantee's past compliance with federally funded programs.	5 Point	3 Points	1 Point
		No past monitoring or severe deficiencies were revealed	Evidence of prior monitoring; deficiencies noted, but none severe	Evidence of prior monitoring; no deficiencies noted

*High Risk: 29 - 22 Points    Medium Risk: 21- 15 Points    Low Risk : Less than 15 Points*



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### 3.1.2 Project/Program Risk Assessment

Projects/Programs for each Grantee or Subrecipient should be prioritized based on the results of the risk assessment described in Table 2. The Project/Program Risk Assessment is included as Exhibit 2.

**Table 2 Project/ Program Risk Assessment**

Criteria	Description	High Risk	Medium Risk	Low Risk
Total DR-CDBG Allocation	The total DR-CDBG provided to execute the Project.	5	3	1
		\$250,000+	\$150,000 - \$249,999	Less than \$150,000
Complexity	The activities associated with the project or program.	5	3	1
		Project Involving Construction	Loan or Grant Project	Other Project Types
Implementation	The entity who is implementing the project.	12	8	4
		Subrecipient	Grantee Staff	Consultant
Relevant Experience	The entity who is implementing the project or program's experience implementing a similar type project or program.	8	5	3
		No Experience	1 to 3 Years of Experience	4+ Years of Experience

*High Risk: 30 – 22 Points    Medium Risk: 21- 15 Points    Low Risk : Less than 15 Points*

### 3.2 Executing the Monitoring Review

The steps illustrated in the diagram below and described in the subsequent sections provide the high-level process for executing a monitoring review. The roles and responsibilities associated with these steps are described within Section 4, Monitoring Roles and Responsibilities.

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<b>Select Project Sample</b>	<ul style="list-style-type: none"><li>• Process Lead Initiates</li><li>• Program Manager Selects Project Sample</li><li>• Process Lead Approves Project Sample</li></ul>
<b>Perform Desk Review</b>	<ul style="list-style-type: none"><li>• Program Analyst Completes Desk Review Checklist</li><li>• Upload Documentation to ePortal</li><li>• Identify Missing Documentation</li></ul>
<b>Send Monitoring Notification</b>	<ul style="list-style-type: none"><li>• Compliance Analyst Confirms Date/Time &amp; Project Sample</li><li>• Compliance Analyst Drafts Letter</li><li>• Director of Programs Approves and Signs Letter</li></ul>
<b>Prepare for Review</b>	<ul style="list-style-type: none"><li>• Compliance Analyst Coordinates Internal Prep Meeting</li><li>• Compliance Analyst begins executing the checklists</li></ul>
<b>Execute Onsite Review</b>	<ul style="list-style-type: none"><li>• Compliance Analyst Executes Core and Project Checklists</li></ul>
<b>Send Monitoring Letter</b>	<ul style="list-style-type: none"><li>• Process and Financial Leads Approve Checklists and Monitoring Report Form</li><li>• Program Manager provides input and Compliance Analyst submits Monitoring Report Form to Compliance Director</li><li>• Compliance Analyst drafts Monitoring Letter</li><li>• Compliance Manager Reviews and Signs Letter</li></ul>
<b>Follow Up on Corrective Actions</b>	<ul style="list-style-type: none"><li>• Compliance Analyst Follows Up with Grantee until Corrective Actions are Cleared</li><li>• Compliance Analyst Monitors Process and Confirms Issues are Cleared</li><li>• Compliance Analyst Drafts Corrective Actions Completed Letter</li><li>• Process Lead Approves; Compliance Manager Signs Letter</li></ul>

### 3.2.1 Select the Project Sample

To initiate monitoring, the OCD/DRU will initially limit the population to those projects where 95% or more funds have been expended. The Process Lead will initiate the Project Sample Selection process by providing a list of projects that meet the predefined threshold to the Program Manager. The Program Manager will complete the Project Selection Justification Form (see Exhibit 3) and provide a copy to the Process Lead.

*Note: As monitoring activities increase, the expenditure threshold of 95% will be lowered to 50%. However, the expenditure threshold may or may not be used when monitoring projects for the Comprehensive Resiliency, Economic Development or Municipal Infrastructure Programs, and Isaac projects.*

Program Managers select a sample of projects to be reviewed using the following methodology:

1. Number of Projects
  - a. If five or fewer projects are within the monitoring population, two projects should be reviewed, if applicable.
  - b. If six or more projects are within the monitoring population, three projects should be reviewed, as applicable.

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*Note: No more than three projects should be reviewed during a monitoring review, unless the stakeholders agree on staff availability.*

### 2. Types of Projects

- c. Different types of projects (infrastructure, housing, planning, and economic development) meeting the expenditure threshold should be reviewed.
- d. High Risk Projects should be included in the sample, as applicable.
- e. Gustav/Ike and Katrina/Rita projects meeting the expenditure threshold (95%) should be included in the sample, as applicable.
- f. Projects implemented by an entity without a contractual relationship with the OCD/DRU (i.e. a Grantee's Subrecipient) should NOT be included within the Project Sample.

Additional projects may be added to the sample selection, as deemed necessary by the Analysts (e.g., reviewing projects with previous audit findings). However, no more than three projects should be reviewed during one review. Program Managers must provide justification for each project selected for the sample, and the Process Lead approves the project sample prior to the Compliance Analyst sending the Notification Letter. If additional projects need to be reviewed, the Program Manager can request that an additional review be included in the follow-up review cycle.

If projects that fall outside of the 95% or more expended population are added, the population size should be adjusted. For example: If five projects are within the 95% funds expended population, two would be reviewed. If the Program Analyst would like to add an additional project that is outside of the 95% funds expended threshold, the total population would increase to six, so three projects would be reviewed.

The sample should, to the extent feasible, be different for each review performed. The following exceptions should be noted:

1. Projects that are monitored and result in a high number of unresolved concerns and findings should be included within subsequent reviews.
2. Projects selected through random sampling may be replaced in cases where the projects either have not started or have not reached defined milestones within the life of the project.

### 3.2.2 Perform Desk Review

Once the projects have been selected for review, the Compliance Analyst will attempt to complete a Core Desk Review Checklist (Exhibit 4) for the Grantee/ Subrecipient and a Project Checklist (Exhibit 5) for each jurisdiction/entity to be reviewed. The goal of the desk review is to collect documents required for the onsite compliance monitoring review and may identify potential problems and technical assistance needs early, prevent compliance violations, and help improve Grantee/ Subrecipient performance. If, during the desk review, the Compliance Analyst determines that additional documents would be beneficial in prepping for the onsite review or will be required while onsite, they may request the documents prior to the onsite review.

The Desk Review, to the extent possible, must be completed prior to sending the Monitoring Notification. Documents not received during the Desk Review will not prevent the onsite review from taking place as

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scheduled. However, the Compliance Analyst should make an attempt to collect all required documents and, if the document is not received, notate as such on the Desk Review Checklist.

### **3.2.3 Send Monitoring Notification**

Once an onsite review is scheduled to begin, a Monitoring Notification Letter is sent to the entity. The Compliance Analyst is responsible for drafting the Notification Letter. The Compliance Manager signs the Letter. Sending the monitoring notification is an especially important step in the onsite review process. The letter should include the date and time of the visit and the areas to be covered. For an onsite review, the letter should include a request for adequate workspace and for meetings with key personnel. A Monitoring Notification Letter Template is included as Exhibit 6.

### **3.2.4 Prepare for Onsite Review**

Prior to beginning monitoring, the Compliance Analyst should coordinate work sessions with all the OCD/DRU parties involved to review checklists and ensure all staff understand how to answer the questions for the specific review and to reiterate roles and responsibilities. As a part of the internal prep meeting, the Compliance Analyst should develop an agenda for the onsite review Entrance Conference (see Exhibit 7) and confirm the logistics for the onsite visit (travel arrangements, etc.). Section 1.1 of the Core Checklist contains questions that should be completed to ensure all monitoring prep activities have taken place prior to arriving onsite for the compliance monitoring visit.

The Compliance Analyst should also begin executing the Core Checklist (Exhibit 8), Project Checklist (Exhibit 9) and if applicable, Project Worksheets (Exhibit 10) and Supplemental Subrecipient Worksheets (Exhibit 11) utilizing the documents collected by the Program Analyst during the desk review. See Section 4 for a description of the roles and responsibilities related to these Checklists. These checklists, described in Section 5, are used to assess compliance with program, contractual, HUD, CDBG, and other federal, state and local requirements. Each Checklist includes instructions. Risk assessment results may be used to identify specific areas of concern and to determine the frequency of reviews.

### **3.2.5 Execute Onsite Review**

Onsite monitoring activities are those activities conducted at a site where the program/project records are maintained, production occurs, or both. Onsite monitoring is an effective way to validate desk review results, identify and/or research discrepancies, and more closely monitor high-risk program components.

During onsite monitoring visits, the files will be reviewed for compliance with all applicable federal and program requirements. Information collected during previous desk reviews, such as employee time sheets, financial statements, position descriptions, and policy and procedure manuals provided by the organizations, will also be used to prepare for the onsite visit. Each Checklist contains additional questions applicable to onsite monitoring. These Checklists are described in Section 5.

### **3.2.6 Prepare and Send Monitoring Letter**

As a result of the monitoring review, one or more of the following conclusions may be reached:

1. Performance was adequate or exemplary;
2. There were significant achievements;
3. There were concerns that need to be brought to the attention of the program participant;

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4. Technical assistance was provided or is needed; and/or,
5. There were findings that require corrective actions.

Compliance Analyst should complete the Monitoring Report Letter Form (Exhibit 12) to summarize the results of the onsite monitoring visit to facilitate discussions between the Compliance Director, Compliance Manager and Compliance Analyst. In the event that deficiencies are found, the findings must include the condition, criteria, cause, effect, and required corrective action.

Once the Monitoring Report Form is finalized (i.e., reviewed by the Program Manager and approved by the Compliance Director), the Compliance Analyst will prepare a Monitoring Letter, to be issued to the Monitored Entity describing the results – in sufficient detail – to clearly describe the areas that were covered and the basis for the conclusions. A Monitoring Report Letter Template is included as Exhibit 13.

Generally, the tone of the Monitoring Letter should be positive, recognizing the common goal of responsibly and effectively implementing CDBG programs. The letter should include significant accomplishments or positive changes to establish and/or maintain positive relationships and to recognize the dedication and commitment of the Monitored Entity's staff to the program mission. However, the Monitoring Letter should not include general statements such as, "[The Monitored Entity] complied with all applicable rules and regulations." Such broad, general statements can, for example, negate the ability to apply sanctions if necessary. Monitoring reviews cover the selected program, technical areas and oftentimes include selected samples. Monitoring conclusions should, therefore, be qualified (e.g., "based upon the materials reviewed and staff interviews, the activity/area was found to be in compliance with [specific requirements].").

The Compliance Analyst should strive to provide the results of the monitoring visit to the monitored entity within 30-45 days of the visit. If the Monitoring Letter cannot be completed within 60 days, the Monitoring Analyst should send the monitored entity a Monitoring Report Delay Letter (Exhibit 14) to notify the Monitored Entity that the review is still underway.

### **3.2.7 Corrective Action**

To assist in resolving findings of noncompliance with program policies, regulations, or process weaknesses identified in the Monitoring Letter, the Monitored Entity must submit a written management response to the Compliance Analyst. The management response should also include a plan for completing the required corrective actions. The management response and associated corrective action plan should be submitted within 30 days of receiving the Monitoring Letter from the OCD/DRU. The Compliance Analyst maintains primary responsibility for following up on all corrective actions contained within the Monitoring Letter. If evidence of corrective actions taken or a corrective action plan is not submitted within 30 days of receiving the Monitoring Letter, the OCD/DRU will follow up with a Monitoring No Response Letter (see Exhibit 15). In the corrective action plan, the Monitored Entity must describe the corrective action taken or planned in response to the findings identified during the review. A corrective action plan is not required for monitoring concerns; however, the Monitored Entity should include proposed corrective actions related to concerns in the management response. In addition, the Compliance Analyst must comment on the status of corrective action taken on any prior findings and/or concerns.

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Upon completion of all of corrective actions contained within the Grantee/Subrecipient's corrective action plan, corrective actions must be reviewed and approved by the Compliance Director, and then by the Chief of Staff and Executive Director. A Corrective Action Completed Letter (see Exhibit 16) will be sent to the Monitored Entity on behalf of the OCD/DRU.

### **3.2.8 Technical Assistance**

The objective of technical assistance is to aid the Monitored Entity in their day-to-day compliance with HUD and state regulations and program requirements as they administer their individual programs. The nature and extent of technical assistance should be determined at the discretion of the Program Analyst. Some examples of technical assistance may include:

1. Verbal or written advice;
2. Formal training; and/or,
3. Documentation and guidance.

When deficiencies are identified as a result of monitoring, technical assistance may be required to assist in the resolution of the deficiency. Any assistance directly related to resolving a specific monitoring deficiency will be coordinated by the Program Analyst.

If deficiencies are noted for multiple Grantees, then organized technical assistance (TA) activities will be coordinated through the applicable Outreach Representative. Compliance and Program staff is responsible for reaching out to Outreach Reps to initiate TA activities. The Outreach staff is responsible for identifying the appropriate staff to provide TA (i.e., finance, infrastructure, labor, compliance, etc.). The Outreach Rep coordinates the logistics for TA visits (including setting up a pre-visit meeting with all OCD/DRU parties involved). TA activities should be documented and reported in accordance with the OCD/DRU policy.

### **3.2.9 Follow-up**

In the event that findings or concerns are identified during the monitoring engagement, follow-up actions should be scheduled to address the progress of the proposed resolution. The timing and frequency of the follow-up communication and activities should be determined at the discretion of the Compliance Analyst, Program Analyst and SPM, and should be based on the severity of the deficiency.

If previous findings or concerns remain unresolved, or if a previously-identified monitoring deficiency remains uncorrected, these issues will also require follow-up activity. All follow-up actions should be documented and communicated to the Monitored Entity. When corrective action is required, target dates should be assigned for resolution of deficiencies.

## **4. Monitoring Roles and Responsibilities**

Recipient monitoring is the responsibility of the OCD/DRU and its Grantees. The OCD/DRU will monitor Grantees and direct Subrecipients to ensure compliance with executed agreements, applicable state and federal laws and regulations, and project/program performance criteria. Grantees and direct Subrecipients are responsible for carrying out their projects and programs in a way that meets compliance requirements, including monitoring their program/project administrators, contractors and subcontractors.

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The OCD/DRU has identified two levels of compliance monitoring for all of its CDBG Disaster Recovery Funds: Level 1 and Level 2. The OCD/DRU developed monitoring tools that can be used at each level of compliance monitoring. The OCD/DRU Long-Term Monitoring Tools are comprised of three Checklists: the Core Checklist, the Project Subrecipient Checklist, and a Contractor Monitoring Checklist.

1. Level 1 Monitoring – State Agencies, Local Grantees, Subrecipients, and contractors, as applicable, ensure that the program or project is implemented and/or services are being provided according to the requisite state and federal regulations and contractual obligations. The Core Checklist (see Section 5.2) and Project Checklist (see Section 5.3) are used to perform Level 2 monitoring. Additionally, the OCD/DRU may use the Contractor Monitoring Checklist (see Section 5.5) to monitor contractor compliance with executed binding agreements.
2. Level 2 Monitoring – Grantee or Subrecipient ensures all state, federal and local laws and regulations, program/project requirements, and contractual obligations are met. Level 3 monitoring can be performed using the Project Checklist. Additionally, if Grantees utilize Subrecipients to execute their programs or projects, the Core Checklist can be utilized to monitor the Subrecipients.

<b>Note Regarding the OCD/DRU's Monitoring of Entities without a Contractual Relationship with the OCD/DRU (and associated Projects)</b>
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For the purpose of this LTMP, if a Grantee or Subrecipient has entered into agreements with other entities to execute projects the OCD/DRU considers this a Subrecipient relationship between the Grantee/Subrecipient and the said entity. Therefore, the primary monitoring responsibilities of ensuring that the Subrecipient is implementing the program/project according to the applicable regulations rest with the Grantee/Subrecipient. The OCD/DRU serves in an oversight monitoring role when this type of relationship exists.
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The Subrecipient Management Section of the Core Checklist should be used to provide this oversight monitoring and determine if the Grantee/Subrecipient is sufficiently managing its Subrecipients (and its Subrecipients' implementation of its allocated projects). If, after completing the review, it is determined that the Grantee is not sufficiently managing its Subrecipient, the OCD/DRU may (with coordination with the Grantee/Subrecipient), complete a project review for a sample of the Subrecipient's projects. The actual program deliverables/activities (i.e., services provided by the Subrecipients) should not be reviewed by the OCD/DRU unless issues are found during the review.
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### **4.1 Monitoring Roles and Responsibilities**

The Compliance Manager will assign a Compliance Analyst as team lead to coordinate the monitoring efforts for each review. The Compliance Manager will assign a Financial Analyst to each review.

The following roles were established to execute the OCD/DRU's Long-Term Monitoring Plan:

1. Compliance Manager
  - a. Oversees all monitoring efforts
  - b. Reports Status of Monitoring Reviews
  - c. Assists the Process Lead with the development of the monitoring schedule
2. Process Lead
  - a. Tracks Monitoring Efforts
  - b. Follows up on overdue review milestones

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- c. Assigns Compliance Analysts
  - d. Provides oversight for all Compliance Analysts tasks
  - e. Coordinates the completion of risk assessments
  - f. Initiates the Project sample selection process; Approves the Project sample
  - g. Coordinates the development of the monitoring schedule; Manages ongoing monitoring needs (i.e., how to handle “emergency” visits)
  - h. Reviews and approves Notification Letter
  - i. Approves Core and Project Checklists in coordination with Financial Lead
  - j. Reviews and approves Monitoring Letter in coordination with Financial Lead
  - k. Coordinates with Financial Lead on any required edits prior to submitting Monitoring Letter to Compliance Manager for final approval
3. Compliance Analyst
- a. Tracks assigned monitoring reviews
  - b. Provides technical assistance to Analysts throughout the monitoring process
  - c. Coordinates prep for onsite reviews
  - d. Facilitates the Entrance Conference and Exit Conference for Onsite reviews
  - e. Executes and documents the results of the Core and Project Checklists
  - f. Drafts all Letters
  - g. Oversees the Corrective Action Resolution Process
4. State Program Manager
- a. Selects the Project sample
  - b. Provides input into monitoring schedule
  - c. Reviews Monitoring Report Form (provides input on identified concerns and findings)
5. Program Analyst
- a. Participates in activities to prepare for onsite visit
  - b. Provides technical assistance to the monitored entity to resolve a specific monitoring deficiency
  - c. Executes the Desk Review Checklist
6. Executive Director/Chief of Staff
- a. Reviews Monitoring Letter prior to final approval when findings and/or concerns have been identified that require an executive-level decision
7. Director of Programs
- a. Reviews and Signs Notification Letter
  - b. Reviews and Signs Monitoring Letter
  - c. Reviews and Signs No Response Letter
  - d. Reviews and Signs Corrective Action Letter
  - e. Reviews and Approves final resolution of Corrective Actions; Signs Corrective Actions Letter
8. Subject Matter Expert (SME)
- a. Provides support to the Compliance and Program Analysts
  - b. Provides functional guidance in the areas of Procurement/Contracting, Financial Management, Labor, Environmental and Monitoring



### **5. Monitoring Tools**

The OCD/DRU Long-Term Monitoring Tools are comprised of five Checklists: the Core Desk Review Checklist, Project Desk Review, Core Checklist, Project Checklist, and Contractor Monitoring Checklist. The activities associated with a Grantee, Subrecipient, Project, or Program determines which sections of these Checklists are used for each review. These Checklists are described in Sections 5.1- 5.5.

#### **5.1 Core and Project Desk Review Checklists**

The Desk Review Checklists should be used during all Level 2 Compliance Monitoring reviews. The goal of the desk review is to collect documents required for the onsite core and project compliance monitoring review and identify any technical assistance needs. Upon completing the Core Desk Review Checklist (Exhibit 4) for the Grantee/Subrecipient and a Project Checklist (Exhibit 5) for each project to be reviewed, the Program Analyst will save the documents collected in the respective Grantee's folder on the ePortal Monitoring site so that the Compliance can access for completion of the Core and Project Checklists.

If, during the desk review, the Program Analyst determines that additional documents would be beneficial in prepping for the onsite review or will be required while onsite, they may request the documents prior to the onsite review. The onsite Compliance Monitoring visit should not be delayed if a document is not obtained in advance of the onsite visit, as the Compliance Monitor will request and review any additional required documents while onsite.

#### **5.2 Core Checklist**

The Core Checklist should be used during all Level 2 Compliance Monitoring reviews. Grantees may also use this Checklist to monitor its Subrecipients. This Checklist is included as Exhibit 8 of this document.

The primary functions of the Core Checklist are to determine if policies and procedures meet minimum requirements and to verify the adequacy of the financial management system, civil rights compliance, and the Subrecipient management system, as applicable. The Core Checklist is intended to be completed for the initial desk review and as an onsite checklist during scheduled onsite visit. The Core Checklist includes a review of the following areas:

1. Financial management policies and procedures;
2. Procurement policies and procedures;
3. Contracting policies and procedures;
4. Monitoring policies and procedures;
5. Financial management system validation;
6. Civil Rights; and,
7. Subrecipient Management, as applicable.

The Compliance Analyst should use the Policies and Procedures sections of the Core Checklist to identify technical assistance needs as early in the program/project implementation as possible.

### 5.3 Project Checklist

The Compliance Analyst should use the Project Checklist, included as Exhibit 9, to review a sample of the Grantee's Projects. The Project Checklist is used as both a desk and onsite review. The Project Checklist is comprised of questions related to each of the following compliance areas:

1. Citizen Participation
2. Financial Management
3. Procurement
4. Contracting
5. Labor
6. Civil Rights
7. Environmental Review
8. Acquisition and Relocation
9. Property Management
10. Monitoring
11. Lead-Based Paint, Asbestos, and Mold
12. National Objective and Eligible Activities

Project Worksheets (Exhibit 10) should be used by the Compliance Analyst to draw conclusions regarding procurement, contracting, labor, and Section 3 compliance for each project. The worksheets include questions pertaining to the specific contractors/vendors procured to implement the program/project. Since the activities associated with a project and with a contract vary, all sections of the Project Checklist may not be applicable for each project and associated contract/contractor. The results of each Project Checklist should be reviewed to determine if technical assistance is required.

#### 5.3.1 Selecting a Sample to Execute the Project Checklist

##### Contractor Sample

For each project within the Project Sample, the Compliance Analyst is required to select a sample of contractors/vendors in order to execute the Project Worksheets. The full population of contractors/vendors used to implement the project should be listed in Section 3 of the Project Desk Review Checklist (this includes any consultants, non-profits, Subrecipients, etc.). If the Grantee has not engaged any contractors or vendors to execute the project (i.e., they are performing the work "in-house"), the responses to the applicable Project Worksheet questions should be based on the "in-house" activities (i.e., invoicing and labor review of the public works department implementing the CDBG-funded project). Using the Project Worksheets, the Compliance Analyst will use the procurement documentation, contracts, draw requests, and other documentation associated with the project and contractors to test the Grantee's administrative systems.

1. Number of Contractors/Vendors to Review
  - a. If five or fewer contractors/vendors have been used to implement the projects, two contractors/vendors should be reviewed, if applicable.
  - b. If six or more contractors/vendors have been used to implement the project, three contractors/vendors should be reviewed, as applicable.
2. If issues are found within the selected sample, broaden the sample to include additional contractors.

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3. The number of contractors selected for review may be increased based on the Grantee risk level. The reasoning for selecting the contractors within the sample should be documented. The contractors selected should be notated on the Project Desk Review Checklist.

If a project undergoes more than one review, each review cycle should include different contractors, as applicable. The Compliance Analyst always has the option of expanding the sample size to include additional contractors for initial testing or retesting.

### Selecting Draw Request Sample and Invoices to Review

Section 7 of Project Checklist requires the Compliance Analyst to select a sample of draw requests for the Project being reviewed. For each draw request, the analyst will also select a sample of invoices to determine if costs are allowable and support documentation is sufficient. According to Appendix A of HUD Handbook 2000.04 REV-2 CHG-7, there are minimum sample sizes for attribute testing. The Compliance Analyst should use Table 3 below to determine the appropriate sample size for monitoring program-processing activities (e.g., draw request submittal, closings, applicant file reviews, etc.). Draw Requests included in the sample should be those submitted at least one month prior to the Grantee receiving the Notification Letter.

**Table 3 Sampling for Transaction-Based Activities**

Population	>200	100-199	50-99	20-49	Less than 20
Minimum Sample Size	65	20	10	5	3

Example: Ten draw requests have been submitted; select three to include in the sample.

	<u>Draw Request A</u>	<u>Draw Request B</u>	<u>Draw Request C</u>
# Invoices within Draw Request	25	20	50
# Invoices Selected for Review	5	3	10

### Sampling Tools

Sample selection can be performed with the assistance of off-the-shelf software (e.g., random number generators, MS Excel function – RAND (random number generator)). A sampling tool may be used to randomly select a sample from a population.

Additional projects may be added to this selection using a Non-Random Selection Method by:

1. Examining more projects from a specific category;
2. Selecting additional projects to include one from each Grantee staff person responsible for project oversight;
3. Including additional projects with the same characteristics, if indicated by the severity or nature of any problems(s) noted during previous reviews (for example, same problem category, same parish staff person, same activities or other characteristics);
4. Including projects with expanded scope or funding, activities considered high risk, and/or unresolved past findings or concerns.

### **5.4 Subrecipient Supplemental Worksheets**

If a project is selected that is administered by a Grantee's Subrecipient, the Compliance Analyst will execute the Subrecipient Supplemental Worksheets (Exhibit 11) to validate the subrecipient management practices of the Grantee as a part of the Core Review. This worksheet will only be used if a project within the selected sample is administered by a Grantee's Subrecipient.

The Subrecipient Supplemental Worksheets include a review of the Grantee's monitoring files to ensure compliance in the following areas:

1. Monitoring
2. National Objective and Eligibility
3. Contract Management and Procurement
4. Recordkeeping
5. Financial Management
6. Property Management
7. Labor
8. Civil Rights

### **5.5 Contractor Monitoring Checklist**

Compliance Analysts serve as the primary monitors (Level 2), unless otherwise defined in the contract. When State personnel are embedded within specific operational areas managed by the contractor, day-to-day and continuous monitoring may occur that is not included within this monitoring strategy. See Section 6.1.3.

When considering contractors, the same federal, state, local and CDBG administrative and monitoring requirements that apply to Subrecipients may not apply to a contracted entity. Therefore, the checklist used to monitor Subrecipients and state-administered projects may not be suitable to fulfill the OCD/DRU's contractor monitoring responsibilities. With that in mind, a Contractor Monitoring Checklist (Exhibit 17) was developed to help the OCD/DRU fulfill its responsibility for monitoring contractors, whether the contractors function as grant administrators or serve the state in other capacities.

The Contractor Monitoring Checklist must be tailored based on the contract executed between the OCD/DRU and the contractor. This would include updating the checklist to include all requirements and deliverables associated with the contract scope of work and to include any relevant areas of concern.

The Contractor Monitoring Checklist includes a review of the following areas:

1. Contractual requirements
  - a. Administrative requirements
  - b. Scope of Work
  - c. Deliverables
2. Areas of Concern (as identified by the monitor)
3. Labor
4. Civil Rights
5. Environmental
6. Financial Management

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7. Property Management
8. Other Legal/Regulatory Requirements

### Selecting a Documentation Sample to Review

The Contractor Monitoring Checklist instructs the Compliance Analyst to pull samples of specific documentation to draw conclusions about an activity, process, or function. Populations will be obtained through coordination with the entity being monitored and may consist of listings of projects, case files, program activities/transactions or financial information in an electronic or hardcopy form. The actual sample items may consist of hardcopy records that are pulled for testing while on site, specific records and information as requested, and/or data or reports that are provided by the monitored entity as part of ongoing reporting or other production requirements.

According to Appendix A of HUD Handbook 2000.04 REV-2 CHG-7, there are minimum sample sizes for attribute testing. The Compliance Analyst should use Table 4 to determine the appropriate sample size for monitoring program-processing activities (e.g., closings, applicant file reviews, etc.).

**Table 4 Sampling for Transaction-Based Activities**

Population	>200	100-199	50-99	20-49	Less than 20
Minimum Sample Size	65	20	10	5	3

Sample selection can be performed with the assistance of off-the-shelf software (e.g., random number generators, MS Excel function – RAND (random number generator)). A sampling tool may also be used to randomly select a sample from a population.

### 6. Monitoring Relationships and Use of Monitoring Tools

The relationships between each of the roles described above and the use of the monitoring tools described depends upon how the program is implemented. The OCD/DRU may distribute CDBG funds to Beneficiaries through programs administered by a:

1. Local Grantee (parish or municipality);
2. Subrecipient (State Agency, non-profit, etc.);
3. State contractor;
4. OCD/DRU directly; or,
5. OCD/DRU with the assistance of contractors.

Depending on the administration method and the project/program requirements, all sections of each of the Checklist may not be used during the monitoring review. The following sections describe the monitoring relationships and tools by administration method.

#### 6.1.1 Project/Program Administered by a Local Grantee/Subrecipient to the State

The following table provides guidance when the OCD/DRU is monitoring an entity for which they have a direct contract/agreement with. A sample of the programs that are included within this implementation category include (this list is not all-inclusive): the Gustav/Ike Parish Program and the Small Firm Recovery Loan and Grant (“BRGL”; administer by LED).

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Tool	Executed By	Additional Guidance
Desk Review Checklist	Program Analyst	Execute the Desk Review Checklist, Core Review for the policies and procedures.
Core Checklist	Compliance Analyst	Execute the policies and procedures sections of the Checklist, and the remaining sections/questions of the Checklists, utilizing the results of the Project Checklists, as applicable.
Desk Review Checklist	Program Analyst	Execute the Desk Review Checklist, Project Review for each Project within the sample.
Project Checklist	Compliance Analyst	Execute the Checklist for each Project within the sample (see Section 3.2.1).
Project Worksheets	Compliance Analyst	Execute for a sample of the contractors and/or Subrecipients. For Subrecipients, only execute Worksheets 1 and 3.
Subrecipient Supplemental Worksheets	Compliance Analyst	Execute the worksheets if the Grantee has engaged a Subrecipient to administer the project.

### 6.1.2 Program/Project Administered by OCD/DRU

If a Program or Project is administered directly by the OCD/DRU (i.e., Piggyback Program), the monitoring tools should be used as illustrated in the following table. This includes those Programs where the OCD/DRU has engaged consultant/contractors to provide support services for the administration of the Project/Program. The consultants/contractors providing support services can be reviewed using the Contractor Monitoring Checklist (see Section 5.45).

Tool	Executed By	Additional Guidance
Core Checklist	Compliance Analyst	Answer the Policy and Procedures questions based on the State Program Manager's administration of the Program, utilizing the results of the Project Checklists, as applicable.
Project Checklist	SPM/ Compliance Analyst	Answer the questions based on the Program/Project implemented by each recipient.
Project Worksheets	SPM/ Compliance Analyst	Execute for a sample of the contractors and/or Subrecipients listed in Section 3.

### 6.1.3 Program/Project Implemented by a Contractor to the State

If the OCD/DRU has engaged a Contractor to implement the Program/Project, then the Contractor Monitoring Checklist, Core Checklist, Project Checklist and associated Project Worksheets are used to monitor the Contractor. If the Contractor is providing support services to the OCD/DRU to implement the Program (i.e., HGA, Environ), only the Contractor Monitoring Checklist would be used.

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Tool	Executed By	Additional Guidance
Contractor Monitoring Checklist	SPM/ Analyst	Incorporate contract Scope of Work requirements and deliverables. Execute all applicable sections of the Checklist.

### 7. Performance Monitoring

Performance monitoring of the Grantee-implemented programs and projects is performed as a parallel process to the compliance monitoring by the Outreach Team and Program Analysts. Because the number and type of projects administered by a single entity can be numerous and complex, it often becomes difficult to plan for each projects implementation. Projects may take years to implement once approved due to lack of planning and oversight. The OCD/DRU may monitor the performance of projects based on the pre-defined milestones (see Exhibit 18) and the Grantee-approved target dates for reaching these milestones.

The goals for performance monitoring include:

1. Assisting Grantees in developing project implementation schedules using the Performance Monitoring Template;
2. Enabling Grantees to allocate applicable staff/resources to projects and maintain reasonable timelines for completion of projects;
3. Tracking Grantee progress and providing technical assistance as needed; and,
4. Providing summary reporting of frequently requested information.

By engaging Grantees in the process, the schedules that are established should allow Grantees to allocate applicable staff/resources to projects and maintain reasonable timelines for completion of projects.

Project milestones have been identified for each of the following project types:

Project Type	Description
Housing – Construction	Housing programs/projects that involve construction (minor roof repair, rental rehabilitation, etc.). If the project/program involves collecting applications, the duration between the milestones should reflect when the milestone will be reached for all approved applicants
Housing – Other	Housing programs/projects that do not involve construction (loan or grant program, providing relocation benefits, etc.). If the project/program involves collecting applications, the duration between the milestones should reflect when the milestone will be reached for all approved applicants
Infrastructure	Drainage, streetscapes, bridge repair, generator installation, etc.
Economic Development – Loan & Grant	Loan & Grant: Projects/ Programs that provide grants and loans to firms who are determined to have a chance to survive, contribute to the economy, and create jobs. Since this type of project/program involves the Grantee/ Recipient/ Subrecipient's collecting applicants that meet the program guidelines, the duration between the milestones should reflect when the milestone will be reached for all approved applicants.

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Project Type	Description
Economic Development – Other	Projects/ Programs targeted to improving a Grantee/ Recipient/ or Subrecipient's local economy by providing technical assistance to small firms, funding tourism marketing, and otherwise increasing the local job market. Since this type of project/program involves the Grantee/ Recipient/ Subrecipient's collecting applicants that meet the program guidelines, the duration between the milestones should reflect when the milestone will be reached for all approved applicants
Planning – Category 1 (Develop a Plan)	Projects used to finance the development of forward-thinking plans related to land use, economic development, resiliency and water management and development of local zoning ordinances that will help prevent or dramatically minimize business, housing, and infrastructure damage from future storm events. This milestone assumes that the project was selected through a competitive process and was already approved.
Planning – Category 2 (Code Enforcement)	Projects that provide funding to hire and/or maintain staff to assist in the establishment or acceleration of building code enforcement and resiliency education. This milestone assumes that the project was selected through a competitive process and was already approved.
Homelessness Supports	Projects/ Programs designed to prevent homelessness in a local community

The milestones associated for each of these projects are included in Exhibit 18. These milestones may be used to set a base schedule for a group of projects. The OCD/DRU may work with the Grantee to adjust this schedule based on the activities associated with each individual project. For example, all projects may not require property acquisition, so this milestone can be marked non-applicable. The construction of the concrete pad for the installation of a generator should not take as long as construction of a bridge, so the construction period for this project type should be adjusted.