



State of Missouri

Neighborhood Stabilization Program Start-Up Monitoring Guide

Guidance to assure that each subrecipient has completed the preliminary actions necessary to properly administer the NSP program



Missouri Neighborhood Stabilization Program

Start-Up Monitoring Guide

MO-NSP Management Team

(September 2009)

Introduction

Each Missouri Neighborhood Stabilization Program (NSP) subrecipient (grantee) should receive an on-site, start-up monitoring review by one or more MO-NSP Field Representatives at or about the time the subrecipient submits the first Request for Funds (RFF) to the State of Missouri. The purpose of the start-up review is to assure that each subrecipient has completed the preliminary actions necessary to properly administer the NSP program. For that reason, the start-up review is somewhat limited in scope and depth. Full compliance monitoring reviews will be conducted for each subrecipient after the detailed HUD NSP monitoring guidance is published later this year.

Before conducting the start-up monitoring review, each MO-NSP Representative should be fully familiar with the approved NSP application and program materials. Of particular concern are the eligible activities that were approved by the State of Missouri. Any significant deviation from those activities must be reviewed and approved by the State before funds can be drawn.

Meeting Arrangements

The initial contact with the subrecipient should be based on the contact information provided in the application. In some cases, the day-to-day management of one or more projects will be done by a third party (e.g., Regional Planning Commission, non-profit organization, etc.). In such cases, the actual review might be conducted with the third party administrator. This should be done only with the full recognition and approval of the official subrecipient.

The MO-NSP Field Representative should contact the subrecipient at the earliest opportunity to arrange a mutually satisfactory date for the review. In most cases, the start-up review can be completed in less than one working day. Once the date has been determined, the MO-NSP Field Representative should send a letter to the subrecipient verifying the specifics of the review including the dates and times, persons to be interviewed and records to be reviewed. A copy of this NSP Start-Up Monitoring Guide should be provided to the subrecipient in advance of the actual review for their use.

Documenting the Review

The MO-NSP Field Representative must prepare a monitoring letter within 30 days following completion of the review. The proposed letter should be sent to the State for review prior to issuance to the subrecipient. After the State has approved the monitoring letter, it should be sent to the subrecipient. All conclusions, both positive and negative, must be fully supported by facts stated in the letter.

Findings and Concerns

When possible violations of NSP program rules are found, they should be clearly identified in the monitoring letter. There are two kinds of negative conclusions: findings and concerns. A finding is a problem that appears to be a violation of a program requirement (law, regulation, contract with State of Missouri). Findings **must** be corrected promptly. Concerns are other matters that **should** be addressed. Examples would be issues that could rise to the level of findings if not addressed properly.

In the case of findings, the letter should clearly explain actions that must be taken in order to resolve the deficiency and the consequences of failure to act. For concerns, the letter should explain the potential problems that might arise if the deficiency is not addressed and any actions that are recommended to address the issues.

Issue Resolution

If findings are identified in the monitoring letter, subrecipients should be directed to respond in writing within 30 days of the date of the monitoring letter. The MO-NSP Field Representative should be prepared to work closely with the subrecipient to assure that they fully understand identified findings and that the corrective actions proposed will be sufficient to fully resolve the problems. Failure to correct findings in a timely manner can have significant adverse consequences including suspending payments or recapture of program funds.

As soon as findings have been resolved, the subrecipient should be notified in writing. A copy of the notification should be sent to the State for their review and approval before the clearance action is taken.

Other Resources

There are a number of important resources and reference materials that should be used in conjunction with all monitoring reviews. Of particular importance are the Community Planning and Development Monitoring Handbook and the Missouri CDBG Administrative Manual. In addition, each NSP Representative should be fully familiar with the federal NSP statutes and regulations and the Missouri NSP Guide developed specifically for this program.

Missouri Neighborhood Stabilization Program

Start-Up Monitoring Checklist

The purpose of this checklist is to provide an outline for conducting start-up monitoring reviews of Missouri Neighborhood Stabilization Program (NSP) subrecipients. Start-up monitoring reviews are normally conducted at the time that a subrecipient is ready to submit their first Request for Funds (RFF) to the State for payment of eligible program costs. The review should be conducted by one or more assigned MO-NSP Field Representatives.

General Information

Date of Review:

NSP Field Representative(s) Conducting Review:

Name/Title of Subrecipient Staff Interviewed:

Unit of General Local Government (Subrecipient) Responsible for Project:

Organization Responsible for Management of Project (if different from above):

Other General Information:

Eligibility and National Objectives

All NSP activities must be eligible and meet a national objective as described in the CDBG regulations at 24 CFR Part 570. These two determinations must be fully documented by the subrecipient before funds are drawn down.

While the eligibility and national objectives determinations are based in CDBG rules, they differ significantly in several respects. First, NSP has a narrower set of eligible activities than CDBG. NSP permits only five general categories of eligible activities. Second, CDBG activities can meet any one of three national objectives (low-moderate income benefit; prevention/elimination of slums or blight; urgent needs). For NSP all activities must meet the low-moderate income benefit category. Finally, the definition of low-moderate income for NSP includes middle-income individuals and families with incomes between 80% and 120% of the area median income (LMMI). In the CDBG program, this determination is normally based on individuals with incomes at or below 80% of median area income. [The exception to the LMMI benefit provision is the Category 3 subrecipient, whose projects and activities must benefit those at 50% or less of area median income.]

Eligibility

Briefly describe the program activities as outlined in the approved State NSP application:

Circle the applicable categories of eligibility as provided in the NSP regulations:

- Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties. Financing mechanisms include soft seconds, loan loss reserves and shared-equity loans for low- and moderate-income homebuyers.
- Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon in order to sell, rent or redevelop such homes and properties.
- Establish land banks for homes that have been foreclosed upon.
- Demolish blighted structures.
- Redevelop demolished or vacant properties.

Are there any proposed activities that do not meet one or more of the above eligible categories? If so, discuss below:

Are there any proposed activities that are not consistent with the approved NSP application? If so, discuss below:

Has the subrecipient adequately documented eligibility for every proposed activity? Describe documentation below:

National Objectives

As noted above, all NSP activities must address the low- and moderate-income (low-moderate-middle income for NSP). Circle below each of the categories to be addressed by the subrecipient in the approved NSP project:

- LMI Area Benefit Activities
Area benefit activities are normally designed to provide for activities that benefit all of the residents of a given neighborhood or area. The area in question is usually primarily residential in nature. In CDBG, at least 51% of the area residents must be LMI in order to qualify. In NSP, at least 51% of the residents of the area must be LMMI (up to 120% of median income) in order to qualify. The most common activities that would meet this test would be demolition of substandard housing or the use of Land Banks when maintenance and demolition will also take place.

- LMI Limited Clientele Activities

In the CDBG program, activities can meet the LMI benefit test if the activities are designed specifically to benefit LMI people (not available to all residents). These are known as limited clientele activities. In such cases, income must be a controlling factor in order to benefit from the given activities. In NSP, the same general rules apply except the income requirement rises to the LMMI level. Good examples of NSP limited clientele activities are housing counseling services for prospective LMMI homebuyers or public facilities or shelters that are only available for LMMI persons.

- LMI Housing Activities

The most common means to establish a national objective is to be met is through the use of housing activities where income is a prerequisite. Keep in mind again that the income standard for NSP becomes 120% rather than 80% of median as in the CDBG program. Examples of acceptable housing activities are acquisition, rehabilitation, rental, sale conversion or construction of units, homeownership assistance or infrastructure for housing as part of redevelopment, all for LMMI persons.

Are there any activities that do not meet at least one of the categories noted above? If so, describe below:

Has the subrecipient adequately documented the national objective for every proposed activity? Describe below:

Environmental Compliance

1. Has the subrecipient created an Environmental Review Record (ERR) containing all original documents available for public review? __Yes __No

2. Does the ERR contain the 'Determination of Level of Environmental Review' form? __Yes __No

Check the level of environmental review completed for the Project:

- Exempt (entire project, not separate activities)
- Categorically Excluded Not Subject to Further Review (CENST)
- Categorically Excluded Subject to Further Review (CEST)
- Environmental Assessment (EA)
- Environmental Impact Statement (EIS)

3. Is the appropriate level of review indicated with signed forms for documentation? __Yes __No

4. Date ER completed _____.

5. Were there any conditions or mitigation measures required for completion by the Subrecipient prior to initiation of any physical work? __Yes __No

If yes, does the Subrecipient's ERR contain confirmation that all environmental condition and mitigation measures have been satisfied? __Yes __No

6. Is there any evidence that project funds from any funding source have been committed or expended? __Yes __No
If yes, explain:

7. For CEST level of review, does the ERR contain the following:

- Notice of Intent to Request Release of Funds
- Affidavit of publication
- If the Subrecipient received any written comments, does the ERR include copies as well as the Subrecipient's written responses resolving the issues?
- No written comments were received

8. For EA level of review, does the ERR contain the following:

- Combined Notice—EA level of review
- Affidavit of publication
- If the Subrecipient received any written comments, does the ERR include copies as well as the Subrecipient's written responses resolving the issues?
- No written comments were received

9. If the project required completion of the HUD 8-Step Decision Process for projects located in a floodplain/wetland, does the REE contain the following:

- Documentation addressing all 8 steps in the decision making process
- Early Public Notice
- Notice of Explanation
- If the Subrecipient received any written comments, does the ERR include copies as well as the Subrecipient's written responses resolving the issues?
- No written comments were received

10. Required notices and request for release of funds were signed
By the Subrecipient Certifying Officer Yes No

11. Is the Subrecipient in compliance with HUD 24 CFR Part 58 and
MO CDBG Environmental Review Program Requirements? Yes No

Comments: _____

Financial Management

List the name and title of each individual with substantive financial management responsibilities (indicate lead person for financial management):

Has the grantee submitted the required financial forms to the State of Missouri (e.g., SFMO1, SFMO2 and ACH)?

Does the subrecipient have copies on file of each of the above forms?

Has the subrecipient established separate accounting records for the NSP program?

Provide the name of the financial institution with the NSP bank account:

Is the NSP bank account a non-interest-bearing account (required)?

Provide the name(s) and title(s) of person(s) with authority to submit a Request For Funds (RFF) to the State:

Describe the process used to submit a RFF including internal controls to assure that unauthorized persons cannot make fund requests:

Timeliness

Subrecipients must meet the same deadlines that apply to the State of Missouri. An amount equivalent to the original grant must be obligated by September 11, 2010. In addition, an amount equivalent to the original grant must be expended by March 11, 2013. Failure to meet these deadlines can be cause for funds to be recaptured by the State. Each NSP subrecipient must have a clear and reasonable schedule to assure that these deadlines will be met.

What is the total approved grant amount for the subrecipient?

Does the subrecipient have a clear plan with specific benchmarks that will assure that this amount will be **obligated by September 11, 2010** (obligated means purchase orders are placed, contracts are awarded, services are received and similar transactions occur that require payment by the subrecipient) and **expended by March 11, 2013**? If so, briefly describe below:

Note: If the subrecipient has a plan, obtain a copy of the plan for our records. If not, request that the subrecipient develop the necessary plan and provide a copy to you at the earliest opportunity.

Recordkeeping and Reporting

Each subrecipient is responsible for maintaining records that are adequate to demonstrate compliance with all applicable NSP rules and for submitting timely and accurate reporting to the State of Missouri either through the MO-NSP Portal website or through other means.

Describe the subrecipient's recordkeeping system:

Does the recordkeeping system capture all required information including funds obligated and expended, units and/or property acquired, eligibility of prospective buyers, basis for procurement actions and other key benchmarks and requirements?

Briefly describe below:

Will the subrecipient assist persons at or below 50% of area median income either as a Category 3 project (required) or as part of their Category 1 project (optional)? Yes ___
No ___

If yes, does the subrecipient have recordkeeping and reporting systems to properly account for these cases and to report them appropriately including total funds obligated and expended? Yes ___ No ___

Who is responsible for program reporting?

Has the above person(s) participated in program training including the initial MO-NSP training in Jefferson City and WillCo web training? Yes _____ No _____

If not, describe plans to provide training as necessary:

Other Issues

Does the subrecipient have the necessary informational materials to manage the NSP program including the following? Circle below to indicate “yes.”

- State of Missouri NSP Guide
- NSP Regulations (Federal Register dated October 6, 2008)
- NSP Bridge Notice (Docket No. FR-5255-N-02)
- CDBG Regulations (24 CFR Part 570)
- Basically CDBG Handbook (entitlement subrecipients)
- FY 2009 Missouri CDBG Administrative Manual (non-entitlement subrecipients)

Has the subrecipient taken actions to affirmatively further fair housing including an “analysis of impediments” to fair housing? Yes ___ No ___

[If not, refer the subrecipient to the State of Missouri CDBG Administrative Manual for examples of actions that can be taken.]

Does the subrecipient expect to conduct activities that might require special actions or procedures (see “red flag” issues in MO-NSP Program Guide): Yes _____ No _____

If yes, check or list those activities below including the following:

- ___ Rehabilitation of individual structures with 8 or more units (labor standards)
- ___ Small purchases of \$100,000 or more (small purchase limit)
- ___ New construction of multi-family projects with 5 or more units or substantial rehabilitation of projects with 15 or more units (Section 504 accessibility)
- ___ Activities that could permanently and involuntarily displace persons (Uniform Act)
- ___ Individual construction contracts of \$200,000 or more (Section 3)
- ___ Appraisals of 10 or more properties (review appraisals required unless waived)
- ___ Other (Describe Below):
