

## **SECTION XV            MONITORING**

It is important that city residents, as well as HUD be assured that federal housing and community development funds are safeguarded through procedures that regulate how funds are spent. Federal requirements prohibit expenditures for certain things, such as political activities. Accounting and budget systems must be in place to account for federal funds, and assure that they are being spent only on eligible project activities.

To meet this objective, the city, both the CDD the LAHD, maintain a qualified professional staff that conducts thorough financial and programmatic monitoring annually. The monitoring process utilized by the two departments varies based on the type of program they administer; however, both systems are designed to incorporate a variety of monitoring techniques and approaches in a coordinated effort which ensures that all funded activities receive an appropriate level of review.

For example, all applications for CDBG funding are reviewed for adherence to standards for eligible activities and compliance with one or more National Objectives by the CDD Administrative Services Division (ASD) grants unit. Staff frequently consults with city departments and agencies on eligibility and national objective issues, and providing technical assistance in assuring that approved project activities continue to meet HUD CDBG statutory and regulatory requirements. Funding recommendations are provided by ASD to the mayor upon review of all proposed projects. Other city departments, such as LAHSA, that administer Consolidated Plan grants go through a similarly strict initial review of applications for funding. Two standing committees of the City Council also review CDBG funding requests.

The federal General Accounting Office (GAO), HUD, and other agencies that fund major grants, such as the Department of Labor, also conduct audits, monitoring visits and performance reviews periodically. Many grantor agencies - that is, those governments that provide funds to the city – require a Single Audit of all grant programs annually after a dollar threshold is met. And city departments themselves have developed monitoring systems to determine if contracts that they have entered into with non-profit agencies have been fulfilled.

In addition, the City Controller's Office and the City Administrative Officer conduct in-depth audits and performance reviews of grant programs.

Since the City has two departments responsible for the four grants, each department's approach will be discussed separately.

The Community Development Department is responsible for monitoring part of the Community Development Block Grant, and those of four key operating divisions - ICD, HSFD, NDD, and WDD, which administer third party contracts for the Community Development Block Grant. All three divisions use a Request for Proposal process to identify contractors for services.

### **Economic Development Programs**

Economic Development programs are monitored using several approaches. Third party contractors selected through the Request for Proposal process include performance goals, against which the organizations are monitored on a monthly and quarterly basis during the year. At the end of each program year, the programs are evaluated before renewing contracts. When funds permit, outside evaluators may be hired to evaluate agency performance as well as overall program impact.

City staff regularly conducts site visits and review of records and files of contracting agencies. Meetings are scheduled with program managers to discuss issues of concern or to exchange information relevant to the program, and/or provide technical assistance. Follow-up on participating business owners/individuals on how they feel about the services and/or training they have received through the program is regularly done to determine if adjustments need to be made to the programs offered.

Staff also coordinates with auditors of the CDD Financial Management Division (FMD) on fiscal review of the contracting agencies records and files.

As a condition of Supplemental Empowerment Zone (SEZ) and Enterprise Community (EC) designation, the City has established benchmarks for performance. Monitoring of these activities is accomplished by periodic review of progress on benchmarks.

### **Public Services and Neighborhood Facilities**

The City employs the following methods to monitor and evaluate third party contractor compliance with applicable laws, rules, and regulations as well as construct provisions, to ensure that planned goals and objectives will be attained.

#### **Identifying Measurable Objectives**

Each City Human Services Program subcontract (third party agencies) contains measurable objectives that permit the assessment of accomplishment, e.g., standards of effectiveness. Such objectives are, with few exceptions, expressed in terms of both planned monthly performance rates and cumulative contract objectives.

These measures permit the City to assess both the short-term (monthly) and long-term (cumulative) performance rates of all projects at any time following project implementation. Data gathered through such assessments are the basis for required corrective action(s) and also serve as support information for future funding recommendations.

For 1995 and subsequent years, the City has measured client/family outcomes as well. As a result, the HSDS measures both the number of people served and the impact those services have on people's lives. The impact or outcome of services provided through the HSDS is measured using the State of California's system of benchmarks and indicators demonstrating a family's movement up a ladder, or scale, of self-sufficiency. HSDS programs that are designed to have three or more planned contacts with a client are required to conduct an intake assessment of a client's status and living conditions in one or more categories of human development. Once a client has accessed a program's services (even if that client drops out), the contractor must select a subsequent benchmark level and indicator that reflects or updates the client's status.

Besides measuring quantitative performance, the City also monitors project performance through the analysis of monthly subcontractor performance reports. The subcontractor is required to report monthly on specific program performance benchmarks such as number of clients served, client demographics, services provided, and overall subcontractor activities relating to the subcontract.

#### **Routine Monitoring**

The City monitors its Human Services projects through regular field visits. Each project receives four on-site visits in a twelve-month program year.

As part of this regular monitoring process, the City evaluates service providers' compliance with record keeping and reporting requirements of their contracts. When problems arise, corrective action plans are initiated. Should improvements not materialize, the City exercises its contractual options to safeguard the expenditure of funds.

#### **Special Monitoring Activities**

Regular City monitoring activities are augmented during the program operating cycle by special monitoring activities. Examples of two special City monitoring activities are fiscal procedures review and client eligibility review.

## **Analyzing Deficiencies, Continuous Feedback, and Updating**

The City is responsive to questions, suggestions and complaints about any aspect of the Human Services Delivery System. The Community Action Board (CAB) is composed of poverty, public sector, and private sector representatives, which ensure delegate agencies are meeting their goals and objectives. When deficiencies become apparent, Board members and City Program Operations staff works closely with the service providers to resolve issues that arise.

The Citizens' Unit for Participation in Housing and Community Development (CUP) Unit is an advisory board that provides an important forum for review of the Consolidated Plan and the CAPER. Requirements for membership in the CUP are designed to encourage participation by low-and moderate-income persons, particularly those living in slum and blighted areas; and in areas of Los Angeles where use of CDBG funds is needed. A council member, representing his or her respective Council District, appoints each CUP member.

The CUP Unit was provided CDBG funds in the amount of \$50,000 to defray the costs of CUP operations for 2003-2004.

The CUP is responsible for reviewing all substantial amendments to the Consolidated Plan. Substantial amendments occur when an approved project is added or deleted, or funds are added above a certain threshold, or if beneficiaries of the project change, among several other "triggers". The CUP is now working with HUD and CDD in redefining substantial amendment requirements.

The CAB Board members are also available to serve as liaison between the service providers and the City to enhance communication of both achievements and concerns regarding service delivery effectiveness in the City.

## **Los Angeles Housing Department (LAHD)**

Besides repayment terms, the promissory note, loan agreement, city contract or separately recorded covenant may include additional terms agreed to by the borrower. These terms may include requirements related to habitability standards, owner residency, tenant eligibility, and/or rent affordability guidelines.

These additional provisions are no less important than the repayment terms, and a material breach thereof may result in acceleration of the loan and/or foreclosure action against the collateral property. Compliance monitoring is accomplished through the regular monitoring of a borrower-provided management plan. In addition, the Department will conduct physical inspections and randomly audit the property owner's financial, tenant and maintenance records to verify compliance with the management plan.

The Program Management Section monitors affordable housing set-asides. Its staff also monitors third party contractors engaged in providing minor home repairs for low income seniors and the disabled, and in providing housing facilities for victims of domestic violence.

## **Monitoring Procedures for Low-Income Housing Units**

When properties are assisted with grant funds and the grant requires low-income occupancy with affordable rents, the Los Angeles Housing Department uses the following procedures:

- Low-income tenancy and affordable rents are affected through a covenant, which is signed by the owner, recorded, and made to run with the land. Covenants have provisions that require annual tenant re-certification and periodic physical inspections when required by the grant.
- Owners agree to provide the City with reports on the current tenants and the rent schedule. These are reviewed for compliance by LAHD staff. Projects of five or more units receive annual site visits to

confirm written reports and to verify the continued maintenance of the building. LAHD maintains a listing of all assisted properties with covenant restrictions.

- When HUD issues either revised income or maximum rent levels, all property owners are notified of the changes.

### **Monitoring Procedures for Third Party Contractors**

The process of setting up a housing related program through third party contractors begins with a Request for Proposals (RFPs). The RFP specifies program goals, objectives, a schedule, and grant restrictions. The latter includes a description of the eligible client population. One section of the RFP will include the standards for the service or product to be provided.

On a competitive basis, LAHD will select the program design that has the highest potential of meeting the identified need at a reasonable cost. Once a contractor is selected, an agreement is executed. The agreement will include the scope of work, measurable products, and the standards that must be met to receive compensation, and the City's remedies when a contractor fails to perform.

LAHD staff is assigned to monitor progress toward goals and compliance of the completed product with the contract standard. Monitoring is accomplished through a combination of reports and invoices from the contractor coupled with on-site reviews by LAHD staff. When required, the City receives an audit.

### **HOPWA Monitoring Framework**

Please refer to the HOPWA Program section.

### **Monitoring of CDBG Line of Credit and Expenditures**

Critical to the city's overall monitoring effort is vigilance in determining the amount of the city's outstanding line of credit authority. This is a responsibility of all departments and agencies receiving HUD funds through the Consolidated Plan.

As noted in the section on overcoming barriers, the City was successful in enlisting and coordinating the help of all CDBG-funded agencies in reducing the city's Line of Credit balance from over two (2) years in the year 2000 to less than 1.5 years in the spring of 2002. This includes five major reprogramming actions of CDBG funds from slow moving projects to project activities that were ready to fund. A reprogramming task force met monthly to monitor the city's progress in spending down CDBG funds in an effective manner.

On February 5, 2002, as part of the 2003-2004 Consolidated Plan approval, the City Council instructed the Chief Legislative Analyst (CLA) to establish a working group to review and report on the Mayor's proposed CDBG Expenditure Policy and Guidelines. The CLA conducted several meetings with the Mayor's Office and the City Administrative Office (CAO) to discuss policies and procedures.

The intent of the policy is to clarify and delineate how CDBG funds will be allocated within the annual plan process, and how savings will be reprogrammed in a regular program year. A mid-year reprogramming was completed in September and November 2002; and the Mayor and Council may conduct additional reprogramming actions. The policy also provides a "Readiness Standard" by which all projects will be subjected to before CDBG funds are allocated. Funds will be allocated according to Council and Mayor priorities, project readiness, and availability of funds for a specific program year.

All project program and administrative funds, for example, must be expended within one program year or are subject to reprogramming. Funding for capital projects would only be provided for the portion of the project that may reasonably be expended in one program year. CDD shall have the responsibility of providing monthly reports to the Mayor, City Administrative Officer (CAO) and Chief Legislative Analyst (CLA) on all CDBG expenditure information which will include (1) the original allocation, and (2)

expenditure, encumbrance, unspent, and unencumbered balances.

Departments other than CDD and the Housing Department have procedures in place to assure safekeeping of federal funds and assure that federal funds are spent in a proper and timely manner. A survey of departments receiving HUD funds revealed sound systems in place for assuring that funds are safeguarded. Some examples are provided here.

### **Examples of Departmental Monitoring Procedures**

For example, the LA's BEST after school program has a well-developed accounting and monitoring system. Its fiscal records are prepared on an accrual basis and generally accepted accounting principles. Assets, revenues, gains, and losses are classified based on the existence, or absence of donor-imposed restrictions. LA's BEST has internal control procedures that assure that assets are safeguarded against loss and has created segregation of duties among staff to assure that a single person does not have authority over accounting transactions. This is important because if this were not the case, one individual could control a transaction from beginning to end, and possibly commit fraud.

Monthly bank reconciliation is properly maintained, and no check over \$1,000 is released without two signatures. LA's BEST has annual external audits; there have been no findings as a result of these reviews. Program quality is overseen by an operations staff, and the LA's BEST advisory board, composed of parents, educators, child development experts regularly conduct site visits. LA's BEST program is also evaluated annually by the UCLA Center for the Study of Evaluation. Program evaluation is an important part of monitoring; because it permits review of how well the program is progressing in its goals and where it may be improved.

For the Proactive Code Enforcement program (PACE), Project progress is monitored for each PACE inspection team member on a daily basis through a system of daily time sheets that document the project results for that day. Information includes 1) hours worked in the office and the field, 2) number of sites surveyed, 3) number of sites with no violation, 4) number of Orders to Comply issued, 5) number of citations issued, 6) voluntary compliance with Orders, and 7) information on additional steps taken to gain compliance (legal action). This daily monitoring provides statistics to be compiled on a daily, weekly, monthly, and program yearly basis. Close monitoring of the results effectively provides a comparison between management projections and actual results for the program year.

The Neighborhood Development Division (NDD) of CDD has developed a comprehensive procedure manual that is consistent with HUD regulations. The manual identifies the process requiring city contracts with sub-recipients, which contains all federal and city regulations. NDD's manual also includes National Environmental Policy Act (NEPA) compliance standards and reviews. NDD commits trained staff to monitor and receive documentation of competitive bidding, Davis-Bacon wage compliance, and evidence of proper completion of projects as a condition for releasing funds. NDD has also developed detailed project tracking systems prepared monthly.

The Industrial and Commercial Development Division (ICD) of CDD also has standardized monitoring procedures for HUD funds that it receives to undertake economic development projects. Five to six months after execution of the contract, the program analyst assigned to that contract arranges for and conducts a site visit. Within one month of the site visit, results are mailed to the agency being monitored. If the agency has deficiencies, or findings, it must respond within 30 days with a plan to resolve the findings. An additional site visit will be conducted within the following six months for those agencies that have findings to confirm that the agency has made the corrections needed. All agencies receiving HUD funds through ICD are subject to a site visit once a year, normally in mid-summer.

The City Planning Department receives CDBG funds to undertake mapping and statistical support for city departments, agencies, the City Administrative Officer, and the Mayor and City Council. Planning has staff skilled in demographic analysis and in Geographic Information Systems, and also is responsible for compiling and analyzing Census 2000 data for its own use and other city departments and agencies. City

Planning fiscally monitors the expenditures of CDBG funds through the use of an in-house reporting system that accesses FMIS (Financial Management Information System) labor data through use of the city's mainframe computer.

Reports can be generated for any time period, and for a variety of reporting requirements. Work product on behalf of departments and agencies is on an "as-completed" basis. The Planning Department receives work requests with no set timetable, but strives to deliver data and maps within the time guidelines set forth by the requesting agency.

The Library Department's accounting system is characterized by detailed records of the amount spent on salaries for the CDBG-funded Library Community Jobs program. Salaries are the only expense under the grant. A file is maintained on each employee that contains information verifying eligibility to participate, and includes start and termination dates for those that have left the program. Each employee is monitored for the first six months using a city probation report form. A site supervisor, and the Library Area Manager and other Library senior staff also evaluate an employee.

The Los Angeles Homeless Services Authority (LAHSA) conducts monitoring reviews of contracted homeless agencies through two departments. The contracts department conducts program reviews, and the fiscal department conducts fiscal reviews, which are based on an annual risk analysis. These reviews consist of on-site monitoring reviews as well as desk reviews. The on-site monitoring process begins with a telephone call from LAHSA staff to the project sponsor, explaining the purpose of the monitoring visit, and arranging a mutually convenient date for the visit.

Upon confirmation of the date and time, a formal notification letter is sent specifying the scope of the monitoring. The monitoring tool used to review the program is also attached to the notification letter. A monitoring report is issued within 30 days of the review. Specifically, the report includes the following elements:

- Identification of the deficiency;
- Citation of program requirements or applicable regulations that have been violated (if any);
- Specification of the corrective action that must be taken, if any; and
- Inclusion of a deadline for correcting each deficiency, if applicable.

The Department on Disability monitors CDBG contracts in a variety of ways, particularly the larger contracts including the HIV/AIDS Prevention consortium agreements. The Department uses traditional monitoring methods such as on-site visits and budgetary tracking systems combined with "taking the pulse" of the contractors and subcontractors through attendance at community meetings and events and review of contractor products. A good example is how AIDS programs are monitored.

### **AIDS Programs – Monitoring Systems**

The Office of the AIDS Coordinator, part of the city's Department on Disability, maintains a detailed monitoring system:

- Cash requests are maintained in an inventory tracking log, and invoices are checked against the proposed budget;
- Each contractor provides monthly reports showing the number of persons served and services provided; this information is entered into a "Tracking Progress on Goals" log maintained by the AIDS Coordinator's office for each contractor. The numbers are compared with goals stated in the "Services Provided" section of the contract. Where possible, individual subcontractor data is maintained to determine their contribution to the overall contract goals.
- The Office of the AIDS Coordinator's program monitor attends consortium planning meetings, makes site visits to contractors and subcontractors, and attends events hosted by the contractors.
- With regard to smaller Technical Assistance grants, if a related activity event is community wide, it is attended. If the event is related to a research study, the printed study is examined and reviewed. If

the activity is an advertising campaign, the material is examined prior to use and copies of the advertisements and posters are obtained along with the distribution.

Another example of comprehensive monitoring is the Computerized Information Center (CIC), managed by the City's Department of Disability. The CIC supervisor ensures that staff maintains records of program activities and that constituent and agency concerns are provided an appropriate response. In addition, senior staff continually reviews program operations to determine adherence to quality of service standards and mandated goals and restrictions.

Department of Aging project activities are carried out through multiple nonprofit organizations located in the City. Project progress is monitored through routine extensive desk review, which consists of reviewing monthly expenditure and service level reports and quarterly program performance reports. On-site field visits are also done periodically. These measurements are in place to ensure that the contractors are in compliance with the scope of work and units of service as contracted. When problems exist, corrective action plans are initiated. Monitoring staff will work with service providers to resolve the issues.

CDBG-funded youth programs administered by the Department of Recreation and Parks are monitored by submission of weekly summary reports and attendance logs by the recreation directors. This identifies each child by name, age and their school, to determine their eligibility. In addition, on-site evaluations take place to insure compliance with the grant.