



Office of Rental Assistance and Homeless Solutions

Monitoring Protocols Manual

Emergency Solutions Grant (ESG)

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I. MONITORING MANDATE

Under [2 CFR Part 200](#), the Uniform Guidance that applies to all federal grants, monitoring of grantee (fiduciary) and subgrantee activities is required to ensure that subawards are used for authorized purposes and follow federal statutes/regulations. Lack of monitoring or insufficient monitoring may result in the loss of ESG funding.

REQUIREMENTS AND RESPONSIBILITIES

MSHDA

MSHDA is required to monitor all grantees and subgrantees on an annual basis. Monitoring activities include review of all submitted Financial Status Reports (FSRs), scheduled desk monitoring events, and scheduled or unscheduled on-site monitoring visits. MSHDA will complete desk or on-site monitoring visits for a minimum of 30% of the total MSHDA ESG grantees/subgrantees every year, as influenced by completed risk assessments and performance evaluations. Newly funded grantees and/or subgrantees will be subject to desk or on-site monitoring within the first year of their grant agreement. MSHDA reserves the rights to conduct additional monitoring as needed based on certain factors, including but not limited to; agency's prior history of performance with ESG and other grant programs; concerns/deficiencies noted in the agency's audit and/or financial statements; outcome of any previous monitoring; and insufficient fulfillment of grant requirements such as timely and accurate submission of FSRs.

Grantees (Fiduciaries)/Subgrantees

Grantees must perform a monitoring of their subgrantees at least once during and no later than the third quarter of each grant term. Grantees are required to review 10% of participant files as of the date of the monitoring for accuracy and eligibility documentation. Grantees are required to maintain and provide access to written monitoring procedures and reports as requested by MSHDA.

Note: Grantees may adopt MSHDA's monitoring process and use the MSHDA ESG Monitoring Workbook to conduct reviews of their subgrantees or utilize portions of the Monitoring Workbook to complete the appropriate reviews.

When selected for a monitoring, each funded agency will complete and submit a Monitoring Workbook by the due date assigned. Grantees and subgrantees are required to complete a self-assessment of select participant files (if applicable) prior to the date of the monitoring for accuracy and eligibility documentation. MSHDA may request additional participant files to be reviewed outside of the initial number provided. Grantees and subgrantees are required to maintain and provide access to participant files and other documents as requested by MSHDA.

Note: If a domestic violence client is selected for review, funded agencies must provide a redacted version of the files to secure the protections set forth in the [Violence Against Women Act \(VAWA\)](#) rule.

Shelter Operation Inspection Requirements

Any emergency shelter that receives MSHDA ESG funds for shelter operations (including maintenance or minor or routine repairs) must meet the minimum safety, sanitation, and privacy standards as indicated in [24 CFR 576.403\(b\)](#). In addition:

- The emergency shelter grantee or subgrantee must ensure that the shelter meets any MSHDA standards that adds to or exceed HUD's minimum standards.
 - Emergency shelter staff must conduct quarterly inspections to ensure compliance with minimum habitability standards by using the [MSHDA ESG Minimum Habitability Standards Inspection Checklist](#).
- The emergency shelter must meet all standards for the entire period during which MSHDA ESG funds are provided for operating the emergency shelter.
- If the emergency shelter is moved to a new site or structure, that new site or structure must meet all emergency shelter standards for the remaining period that ESG funds are used.

Note: If any emergency shelter fails to meet MSHDA’s minimum habitability standards, MSHDA ESG funds may be recaptured or suspended until the emergency shelter is in compliance with [MSHDA ESG Minimum Standards Emergency Shelter](#).

Lead-Based Paint Remediation and Disclosure for Shelters

It is best practice for all emergency shelters to follow lead-based paint regulations for the ongoing safety of all shelter residents. However, it is required for any emergency shelter or shelter space which serves pregnant women or children under the age of six, and was constructed prior to 1978 to follow all lead-based paint regulation as outlined in the following: [The Lead-Based Paint Poisoning Prevention Act](#), [the Residential Lead-Based Paint Hazard Reduction Act of 1995](#), and implementing regulations in [24 CFR part 35](#), subparts [A](#), [B](#), [H](#), [J](#), [K](#), [M](#) and [R](#). Any persons or families meeting these requirements and accessing emergency shelter constructed prior to 1978 must be provided a copy of the lead-based paint notification pamphlet. Emergency shelter grantees and subgrantees must refer to [24 CFR part 35, subpart K](#) of the implementing regulations for guidance on appropriate steps for lead-based paint inspection and remediation. The emergency shelter grantee or subgrantee MUST contact MSHDA ESG program staff immediately if they suspect that they are out of compliance with these regulations.

II. MONITORING OVERVIEW

ESG monitoring should not be viewed as a once a year or periodic event, but as an ongoing process involving continuous communication and evaluation, resulting in a partnership between MSHDA, grantees, and subgrantees. The goal of this partnership is to help both grantees and subgrantees improve performance and to ensure the best possible usage of ESG funds.

The intent of MSHDA ESG monitoring is to:

- Ensure that ESG funds are used efficiently and effectively to assist individuals and families who are homeless or at risk of homelessness to gain and maintain housing;
- Ensure compliance with ESG regulations and program requirements in the usage of funds and in carrying out program activities; and
- Enhance and develop the management capacity of grantees/subgrantees.

This approach enables the MSHDA ESG program to assist communities statewide in their goal of ending homelessness by striving for the highest levels of efficiency and effectiveness.

AREAS OF MONITORING FOCUS

To ensure grantees and subgrantees are executing grants in a manner that is both effective and compliant, MSHDA monitors grant management policies and practices that encompass three primary areas of focus: financial, programmatic, and participant detail.

Financial Monitoring

MSHDA ESG program staff review each submitted FSR and supporting documentation for accuracy and eligibility, which may include bank statements, general ledgers, timesheets for staffs, checks to vendors, etc. MSHDA's monitoring staff may conduct additional review of those documents and request any additional information, if necessary. This process ensures that grantees and subgrantees financial records match with the disbursement documentation submitted to MSHDA and that grantees and subgrantees are appropriately following financial management requirements.

Note: Because ESG funds are part of a federal grant program from HUD, grantees and subgrantees are required to be in compliance with [2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#).

Programmatic Monitoring

Programmatic monitoring involves a comprehensive set of questions designed to measure the grantees and subgrantees compliance with guidance requirements, grant performance, and grant progress. It involves several areas to assess the health of the entire organization. MSHDA employs a workbook to conduct this type of monitoring, which is sent to each grantee and subgrantee within the monitoring notification letter. The current MSHDA ESG Monitoring Workbook can also be found on the [MSHDA ESG website](#).

Participant File Documentation

Participant file documentation is the foundation of compliance with program requirements and HUD regulations. Documentation of participant eligibility and services received must be maintained in participant case files, including files for applicants found to be ineligible. If selected for monitoring, grantees and subgrantees are required to complete a self-assessment of select participant files (if applicable). Files for applicants found to be ineligible for assistance or for participants who are no longer eligible to receive assistance will include documentation of why they are ineligible and how that was determined.

MSHDA provides access to all required participant MSHDA ESG forms via the [MSHDA ESG website](#). Additional guidance regarding required participant documentation is available via the MSHDA ESG Participant File Checklist and the Monitoring Workbook, which are both available on the [MSHDA ESG Website](#).

If participant file documents and signatures or policy documents are collected and maintained electronically, required documentation must be made available to MSHDA when requested. If hard-copy documents are maintained, the agency must work with MSHDA monitoring staff to arrange for secure examination of those files.

Note: Participant Files requested by MSHDA will only be on file for the duration of the monitoring. Requested files will be removed following the exit conference.

Reminder: If a domestic violence client is selected for review, funded agencies must provide a redacted version of the files to secure the protections set forth in the [Violence Against Women Act \(VAWA\)](#) rule.

MSHDA MONITORING TYPES

ESG program monitoring can be conducted through multiple activities, as detailed below. The four (4) primary goals of the monitoring activities are:

1. Ensure productivity and accountability;
2. Ensure compliance with MSHDA ESG which includes participant eligibility, eligible activities, housing unit requirements, financial management, data collection and reporting, and other federal requirements;
3. Evaluate organizational and project performance; and
4. Other relevant sections pertained in the ESG grant agreement.

Desk Monitoring

MSHDA's monitoring staff will conduct a review of the completed workbook(s) and documents requested at the start of the monitoring and may request any additional information which can include bank statements, general ledgers, timesheets for staff, checks to vendors, etc. for the specific FSR(s) selected. Desk monitoring may require the same information as on-site monitoring which includes the review of participant case files, program policies and procedures, financial policies, etc.

Announced On-Site Monitoring Visit

The announced on-site monitoring visit is scheduled by MSHDA ESG program staff and will be conducted at the location designated within the visit notification letter.

Unannounced On-Site Monitoring Visit

MSHDA ESG program staff have the right, pursuant to federal guidelines and the term of the ESG grant agreement to conduct unannounced on-site monitoring visits at all grantee and subgrantee locations. The grantee and/or subgrantee have the responsibility to notify MSHDA ESG program staff of any changes in business hours or if their agency will be closed for an extended amount of time. Unannounced on-site monitoring visits are conducted based on certain factors, including but not limited to; agency's prior history of performance with ESG; concerns/deficiencies noted in their audit and/or financial statements; outcome of the desk monitoring or announced on-site visit; and insufficient fulfillment of grant requirements such as timely and accurate submission of FSRs.

Emergency Shelter Monitoring

Emergency shelters funded with MSHDA ESG must meet minimum habitability standards as detailed in [24 CFR 576.403\(b\)](#). MSHDA ESG program staff will inspect all MSHDA ESG funded emergency shelters to ensure compliance with the minimum habitability standards. MSHDA ESG program staff will document any deficiencies via a post-monitoring report and the grantee and/or subgrantee will need to provide documentation/photographs indicating that the deficiencies have been corrected. Prior to the monitoring, grantees and/or subgrantees are responsible for notifying clients of the pending monitoring/inspection.

Note: Emergency shelter staff must conduct quarterly inspections to ensure compliance with minimum habitability standards by using the [MSHDA ESG Minimum Habitability Standards Inspection Checklist](#).

III. PREPARATION AND EXECUTION OF MONITORING

Using techniques, guidelines, and federal ESG regulations from [24 CFR Part 576](#), and HUD's Monitoring Guidance for the ESG program, MSHDA takes the following steps in preparation for and completion of all monitoring activities.

Note: This process is for all monitoring types unless otherwise noted.

Monitoring Schedule

Annually, MSHDA ESG program staff create a monitoring schedule of grantees and subgrantees based on certain factors, including but not limited to the annual risk assessment, prior history of performance with ESG, concerns/deficiencies noted in the audit and/or financial statements, outcome of previous monitoring, and insufficient fulfillment of grant requirements such as timely and accurate submission of FSRs.

Notification Letter (Unannounced On-Site Monitoring Visit: N/A)

Grantees and subgrantees receive a notification letter to document when desk monitoring or on-site monitoring will take place. This begins with a telephone call and/or email to explain the purpose of the monitoring and to arrange a mutually convenient date for the monitoring. Once a date has been set, a notification letter is emailed to the grantee and subgrantee(s) to confirm the monitoring. Unless there are extenuating circumstances, this letter will be emailed at least four (4) weeks prior to the monitoring and will be emailed to the Executive Directors of the grantee and subgrantee(s), as well as to the main contact assigned in the MATT 2.0 grant system. The letter will discuss the monitoring schedule, identify the areas to be reviewed, total number of participant files to be reviewed by grantees/subgrantees, and provide the names and titles of the staff conducting the monitoring. For an on-site monitoring visit, the letter will confirm the need for any required services (e.g., conference rooms, telephones, computers, access to electronic recordkeeping systems). For either an on-site or desk monitoring, the letter will identify specific information to be submitted by the grantee and subgrantee(s) and a timeframe for submission. In addition to the notification letter, the grantee and subgrantee(s) will receive the monitoring workbook(s) to be completed as part of the monitoring.

Monitoring Workbook Assessment

Upon receiving the completed workbook(s), the MSHDA monitoring staff will review it along with the documents submitted to determine if other documents may be needed as part of the monitoring. The MSHDA monitoring staff will communicate the request to the ESG program contacts and allow time for submission leading up to the entrance conference.

Reminder: If a domestic violence client is selected for review, funded agencies must provide a redacted version of the files to secure the protections set forth in the [Violence Against Women Act \(VAWA\)](#) rule.

Entrance Conference

At the start of the scheduled monitoring, the MSHDA monitoring staff holds an entrance conference with the grantee's ESG program contact (as indicated on the grantee contact information) and/or the grantee's senior staff (Executive Director and/or Program Manager) to briefly go over the agenda and to answer any questions they may have. The entrance conference is used to make sure that all staff have a clear understanding of the purpose, scope, and schedule of the monitoring.

Documentation Analysis

During the monitoring, the MSHDA monitoring staff will review any additional documents requested beyond the Monitoring Workbook(s) and may conduct additional or expanded review of the participant files from the Monitoring Workbook or FSR period, if necessary. Any participant files requested for review should be organized and easily accessible. For instance, if the grantee and/or subgrantee elects to maintain electronic files in lieu of paper files, they will be required to print off all required documentation including case notes and/or housing stability plans. If the grantee/subgrantee is an emergency shelter, the MSHDA monitoring staff ensures compliance with MSHDA's ESG Emergency Shelter Minimum Standards by doing a visual assessment of the facility and can use participant interviews to verify that HUDs Equal Access to Housing Final Rule has been implemented.

Note: Participant Files requested by MSHDA will only be on file for the duration of the monitoring. Requested files will be removed following the exit conference.

Exit Conference

At the end of the desk or on-site monitoring, the MSHDA monitoring staff and the grantee's ESG program contact and/or senior staff reconvene to discuss what was observed during the monitoring. The MSHDA monitoring staff presents the tentative conclusions from the monitoring and answers any other questions the grantee and/or subgrantee(s) may have. The exit conference is designed to accomplish three objectives:

1. Present preliminary results of the monitoring visit;
2. Provide the grantee and/or subgrantee(s) an opportunity to correct any misconceptions or misunderstandings for the MSHDA monitoring staff; and
3. Provide an opportunity for the grantee and/or subgrantee(s) staff to report any steps they **are** already taking to correct potential findings.

Monitoring Report

Upon the completion of the monitoring and exit conference, the MSHDA monitoring staff sends a report to the grantee and/or subgrantee(s) monitored. The report is sent within sixty (60) days of the exit conference and provides the following:

- Finding(s) and/or concern(s), as defined below, based on applicable law, regulation, or program policy;
- Recommendations to address identified concerns;
- Deadline for grantee's written response to any findings and/or concerns, including details for how the grantee and/or subgrantee(s) will resolve any identified items; and
- Corrective action for any deficiency identified.

If applicable, the ESG grantee and/or subgrantee(s) will be responsible for submitting a response to MSHDA within thirty (30) days after receiving the letter/report. The response should include:

- The grantee and/or subgrantee's plans to resolve any finding(s) and/or concern(s);
- Areas of concern or additional technical assistance needed for grantee and/or subgrantee from MSHDA ESG program staff (if needed); and
- Concluding results to finding(s) and/or concern(s) that have already been addressed prior to the issued monitoring letter/report.

A **compliance concern** is defined as a deficiency in program administration or performance not based on a statutory, regulatory, or other program requirement but is brought to the grantee and/or subgrantees attention to avoid becoming a finding in future monitoring.

A **finding** is defined as a deficiency in program administration or performance based on a statutory, regulatory, or program requirement for which sanctions or other corrective actions are authorized.

Follow-up Letter

When the grantee and/or subgrantee fails to meet a target date for corrective action, a follow-up letter is issued to the grantee and/or subgrantee requesting status update to the monitoring letter/report previously sent.

Note: If a follow-up letter is sent, MSHDA ESG funds may be recaptured or suspended until the grantee and/or subgrantee responds to the monitoring report.

Closing Letter

MSHDA sends a closing letter to denote the end of the monitoring process. If there are no findings or concerns, the closing letter may be included with the monitoring report. For all other circumstances, a closing letter is sent once the Corrective Action Plan is fulfilled by the grantee and/or subgrantee, or all findings are corrected.

Urgent Action

There may be rare circumstances where monitoring reveals a problem that requires urgent action, such as program fraud or criminal activity. In accordance with the Uniform Guidance, MSHDA may take alternative steps to secure program integrity. While any urgent action may deviate from the monitoring process sequence described in this section, grantee/subgrantee will be afforded the opportunity to respond to actions taken by MSHDA as required by HUD and MSHDA guidelines.

Recordkeeping

After the monitoring is complete, all monitoring letters, checklists, reports, and responses will be documented by MSHDA in the grant file.

IV. MONITORING REFERENCES AND RESOURCES

This ESG manual is used to provide general resources about ESG compliance and monitoring conducted by MSHDA. For more information about the ESG program and specific regulations regarding monitoring, please reference the list below or visit the [MSHDA ESG Website](#).

Note: As additional resources become available, MSHDA will update the resource materials provided on the website.

Community Planning and Development Monitoring Handbook (6509.2)

- **Chapter 28: Emergency Solutions Grant**
- **Chapter 34: 2 CFR PART 200, Uniform Administrative Requirements, Cost Principles, And Audit Requirements for Federal Awards**

The Community Planning and Development Office (CPD) at HUD released a monitoring handbook that includes information about federal programs such as the Community Development Block Grant (CDBG), Home Investment Partnerships Program (HOME), and ESG. The following link will provide access to the ESG section of the handbook (Chapter 28: Emergency Solutions Grant and Chapter 34: 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, And Audit Requirements for Federal Awards): [CPD Monitoring Handbook \(6509.2\)](#)

HUD CPD Monitoring

The following link will provide access to information about HUD ESG program monitoring as well as supporting documentation for participant files such as Rent Reasonableness and Fair Market Rent (FMR): [CPD Monitoring](#). This website was used to help create this manual and monitoring tools.

VIOLENCE AGAINST WOMEN ACT (VAWA)

On November 16, 2016, HUD published the [Violence Against Women Act \(VAWA\)](#) final rule regarding housing protections for victims of domestic violence, dating violence, sexual assault, or stalking. This final rule prohibits an applicant for assistance or tenant assisted with ESG from being denied assistance under, denied admission to, terminated from participation in, or evicted from housing on the basis or as a direct result of the fact that the applicant or tenant is or has been a victim of domestic violence, dating violence, sexual assault or stalking, so long as the applicant otherwise qualifies for admission, assistance, participation or occupation ([24 CFR 5.2005 \(b\)\(1\)](#)).