



# McHenry County Department of Planning and Development

## Community Development Division

# UFA Policy and Procedure Manual ~~2021~~

Adopted by the CoC on: (date)

Date to be reviewed again:



# 2021 UFA Policy & Procedure Manual

McHenry County Planning and Development | 2021



## DEFINITION:

Unified Funding Agency (UFA) means an eligible applicant selected by the Continuum of Care to apply for a grant for the entire Continuum, which has the capacity to carry out the duties in 24 CFR §578.11(b), which is approved by HUD and to which HUD awards a grant.

McHenry County is the Collaborative Applicant for the McHenry County Continuum of Care to End Homelessness.

## DESIGNATION:

To become designated as the Unified Funding Agency (UFA) for a Continuum, a collaborative applicant must be selected by the Continuum to apply to HUD to be designated as the UFA for the Continuum. McHenry County has been selected as the UFA for the McHenry County Continuum of Care to End Homelessness.

HUD considered the following criteria when deciding whether to designate a McHenry County as a UFA:

- The Continuum of Care it represents
- The collaborative applicant has financial management systems that meet the standards set forth in 2 CFR 200.302 for financial management
- The collaborative applicant demonstrates the ability to monitor subrecipients; and
- Other criteria as HUD may establish from time to time

List of duties as a McHenry County CoC and HUD-designated UFA:

- Apply to HUD for funding for all of the projects within the geographic area and enter into a grant agreement with HUD for the entire geographic area.
- Enter into legally binding agreements with subrecipients, and receive and distribute funds to subrecipients for all projects within the geographic area.
- Review annual financial audits of subrecipients and report review outcomes to the CoC during funding competitions or as audits are available.
- Require subrecipients to establish fiscal control and accounting procedures as necessary to assure the proper disbursement of and accounting for federal funds in accordance with the requirements of 2 CFR part 200, subpart D.
- Obtain approval of any proposed grant agreement amendments by the Continuum of Care before submitting a request for an amendment to HUD. **This includes budget amendments, which are reviewed by the Finance Committee, sent to the Steering Council for review, then forwarded to full CoC Board for vote.**

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## SUMMARY:

McHenry County, Illinois is an urban County of over 300,000 residents. It has a well-established financial system capable of handling over \$218,000,000 in county-related transactions. All functions of county accounting are governed by 55 ILCS 5/6. McHenry County is an Entitlement community receiving Community Development Block Grant (CDBG) and HOME Investment Partnerships (HOME) funding since 1994. The 2020 allocation of CDBG was \$1.4m and HOME was \$610,000. In late 2019, the county was awarded a \$2.3m Lead Based Paint Hazard Reduction grant for activities conducted over a 42 month period. The county is also the Continuum of Care Collaborative Applicant and Planning Grantee with an average \$28,000 annual award, and the HMIS lead agency with an average \$46,000 annual award. The total revenue allocated to McHenry County Community Development Division from HUD is



# 2021 UFA Policy & Procedure Manual

McHenry County Planning and Development | 2021



approximately \$4,427,000 annually. Most of this revenue is expended as grants to agencies. Currently, the division oversees over 60 subrecipient/contractor projects and processes all reimbursement requests in line with county financial procedures conforming to generally accepted accounting practices (GAAP). The county's formal budget policy requires the general fund to maintain an unrestricted fund balance equal to five months of budgeted operating expenditures. As of November 2018, McHenry County had an unrestricted general fund balance of \$48,847,030 from which the division could reply upon for expedited reimbursement requests. In accordance with Governmental Accounting Standards, the county strictly adheres to budgetary control policies. All revenue must be formally appropriated and voted on by the county board and all expenditures must be linked to an approved revenue cost center. All functions of County Government, and thereby activities of the Community Development Division as a UFA are subject to the Illinois Freedom of Information Act (5 ILCS 140/1 et seq.).

As the current approved Continuum of Care Collaborative Applicant McHenry County is seeking designation as a Unified Funding Agency for the Continuum of Care homeless assistance grants. In September 2019, the CoC Board authorized the current CA, McHenry County Community Development Division, to register for the 2020 NOFA competition as a UFA. The rationale for this decision was the overall benefit to the CoC when compared to possible risks. A UFA provides greater opportunity for the CoC community to achieve a vision that maximizes both quality and resources and makes significant progress towards ending homelessness in McHenry County. The CoC community and the CoC Board retain decision-making authority in all local policy and funding decisions. Funds can be managed and reallocated internally without having to get HUD approval, ensuring that all funds are used rather than having unspent funds. Providers can consolidate contracts with the same project type and all contracts can have the same contract period. Budget modifications are approved by the UFA rather than HUD and most modifications are expected to be below the 10% required approval threshold. For modifications above 10%, the UFA will collect the appropriate documentation and submit it to the CoC **via Finance Committee, Steering Council, and full CoC Board** and **then to** HUD for approval. Monitoring and technical assistance will be provided more consistently and will improve overall system compliance. One HUD Annual Performance Report (APR) is prepared for each project type, rather than one APR for each project. The UFA will compile and submit this data on behalf of all providers. The 25% matching contribution is a system-wide match. Organizations providing excess match can support organizations having difficulty meeting the match. Pursuant to 2 CFR 200, Uniform Administrative Requirements, the County would assume responsibility for the functions detailed in this UFA overview.

Because McHenry County acts as the Collaborative Applicant, HMIS Lead, and Unified Funding Agency, components of compliance for all three areas are included in this document:

- Data compliance per HMIS standards
- Client and expense eligibility for the Collaborative Applicant component
- Financial compliance for the UFA component

## **INTERNAL CONTROLS: COMMUNITY DEVELOPMENT FINANCIAL PROCEDURES:**

As an Urban County, McHenry County's Financial Management procedures are governed by section 55 of the Illinois Compiled Statutes Sections 5/6. These laws require the County to abide by accounting standards defined by the Governmental Accounting Standards Board (GASB). The County is responsible for the accuracy and fairness of all financial statements and information presented to independent



# 2021 UFA Policy & Procedure Manual

McHenry County Planning and Development | 2021



auditors. The annual Comprehensive Annual Financial Report (CAFR) created by the Auditor's office is thoroughly vetted and approved by the McHenry County Board as intended to be used as a source of financial information and data for the citizens of the County, board members and other elected officials, investors, creditors, and other readers. The County Administration – Finance Division can be contacted with any questions concerning the CAFR, which can also be viewed (along with prior year CAFRs) via the Auditor's webpage at <https://www.mchenrycountyil.gov/county-government/departments-ai/auditor/comprehensive-annual-financial-reports>. The following section will address internal controls with respect to specific HUD grants awarded to McHenry County and administered by the Community Development Division as Grantee.

Upon successful receipt of a direct federal award, McHenry County Community Development would act as the UFA agent and enter into subrecipient agreements with non-federal agencies. Annual grant awards will be determined through the CoC competitive process. Entities entering into a subrecipient agreement with the County will be required to comply with all applicable Federal regulations governing the grant. Reimbursement of incurred costs will be provided as long as the receiving entity meets the requirements set forth in the sub-recipient agreement.

Activities conducted by the Community Development Division are monitored by a structured chain of command with explicit oversight functions. Routine division-level procedures ensure reasonable assurance of effective and efficient programs through continual desk monitoring of project progress and quarterly reports tracking client outcomes; reliable reports through multi-level approval procedures and timely data entry; and compliance with applicable regulations through dedicated on-demand technical assistance and program delivery review. The following policies and procedures are intended to minimize risk and retain programmatic integrity.

The Community Development Administrator, under the direction of the Planning and Development Director, creates a formal request to apply for funds and submits a proposed resolution to the appropriate County Board Committee. Initial review of the resolution, which describes the sources and intended uses of federal funds is reviewed and approved to move forward by the Public Health and Community Services Committee. Upon favorable vote the resolution is added to the County Board agenda for approval. Once approved, a public notice of intent to apply for federal funds is published as required by overarching grant regulations and the county citizen participation plan. At the conclusion of the public comment period the Community Development Division would initiate the grant application process. After notification of a successful award of funding, the division formally requests approval and authorization to include the funds in the corresponding budget year with corresponding detailed budgeted expenditures. After the committee and county board approval process, grant awards are appropriated to the division budget and entered into the county's general operating budget as an **overall** specific restricted fund. Unspent balances (**related to the overall funding amount, not agency-specific**) are carried over from the prior **county fiscal** year according to county procedures and fiscal year. CoC funds will mirror the process in place for CDBG and HOME awards; with an annual action plan detailing performance goals and subsequent year-end report reconciling expenditures and narrative of program outcomes, results of subrecipient project monitoring, and progress toward overall strategic plan goals.



# 2021 UFA Policy & Procedure Manual

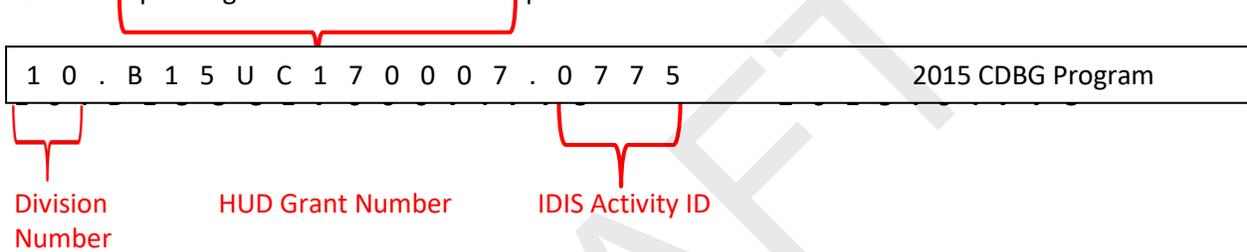
McHenry County Planning and Development | 2021



## PROCEDURES PAYMENT, COSTS, ELIGIBILITY, AND PROCUREMENT POLICIES:

After the appropriate corresponding CoC grant competition, a resolution detailing the subrecipient name, project title, and amount awarded is presented to the Public Health and Community Development Committee for approval. It is then presented to the County Board for approval, thereby establishing authority to disburse the funds as described in the resolution. Per county financial policies, no subordinate accounts will be created without a resolution authorizing the creation of the federal award fund for that fiscal year.

The Community Development Division works with the Finance Department to create a chart of accounts and establishes the unique account identifier used to classify the source of each federal award allocated to the fund and track expenditures paid out to contracted subrecipient agencies. This identifier is comprised of a series of numbers including the county department level code, unique activity number and corresponding federal award. An example is detailed below:



If the request and corresponding supporting documents are sufficient and meet the requirements put forth in the grant agreement, division staff draws down funds from the Treasury, via IDIS or LOCCS. Finance Department staff approve the IDIS or LOCCS draw and complete the fund transfer while the Auditor's Department staff process and disburse the check to the recipient organization. Quarterly progress reports are required to be submitted in the time frame determined in the subrecipient agreement and are an important step in the verification of eligible uses and program beneficiary outcomes. Included in the reimbursement form is identification of the source and amount of program match. Except for entities with an approved Indirect Cost Rate from their cognizant agency, indirect costs are limited to the administration portion of awarded funds or HUD approved de minimus of 10%. Disposition of real property will be conducted as outlined by federal regulation. **Sourcing** of materials is governed by county Procurement Ordinance.

**Note: McHenry County, as a unit of local government, will not allow the Community Development Division to enter into written agreements with partner CoC agencies that are Conditional; as such, the verification of proof of authorization to apply as a UFA is provided in the minutes from the November 21, 2019 CoC meeting.**



## Continuum of Care Subrecipient Manual

### Eligibility and Application Process

Notification of CFDA awards made to the County shall be announced to the public via newspaper publication and County website. Information included in this notice will include the following: description of corresponding program descriptions, purpose, goals and measurements; how said programs align with pre-approved strategic plans and objectives as outlined in the county Consolidated Plan and Strategic Plan to End Homelessness; the source of federal funds and established method of subrecipient grant award; eligibility for receipt of funds and applicable single-audit requirements; and amount of funds awarded per project or activity. Public notice shall include all information as stated above and outlined in 2 CFR 200.203.

Non-federal entities in good standing with the County and the federal government are permitted to apply for all available and eligible funding, receive funding awards governed by conditions put forth in the subrecipient agreement, and request reimbursement for eligible activities deemed to be reasonable and appropriate in respect to the specific activity. To gauge risk of an applicant, organizational capacity factors are considered, such as: Organizational mission, regulatory environment, current strategic plan, size, financial capacity, resources, client barriers and protections, and consistency with McHenry County's overall strategic goals as enumerated in the Consolidated Plan. The following documents are required in order to ensure applicants can successfully meet the conditions of a federal award prior to entering into agreement with the County. Subrecipient riders are included as an Appendix 1.

- Current Independent Audit report with all management letters. This information is then evaluated using commonly accepted accounting ratios and the applicant is provided a raw score and awarded bonus points or loses points according to their financial capacity. This aids in the determination of the financial feasibility of the project being successfully available throughout the grant term.
- Proof of eligible match.
- A set of riders covering the requirements of OMB super-circulars and 2 CFR 200 quality controls. Some documents require corroborating documents to support their validity. Failure to positively affirm certain conditions will make the applicant ineligible to receive federal funds. If mitigations are available or appropriate, the applicant may be able to pursue dispensation. The riders document the applicant's assurance of site control and conformity to federal regulations such as separation of faith-based activities from publicly funded activities.
- Copies of the applicants' policies and procedures that affirm non-discrimination, fair housing, conflict of interest, or other federal statutory requirements. These policies are then evaluated for efficacy and routine implementation. If an applicant is found to be out of compliance of their own policies, but have a corrective action plan, these special assurances may be written into the subrecipient agreement. Human resource policies must clearly define how deviations from accepted practices are handled as well as the process triggered by a client grievance, including the opportunity to review their own records and the uninhibited ability to speak to the highest governing body if no resolution can be met by agency staff.



# 2021 UFA Policy & Procedure Manual

McHenry County Planning and Development | 2021



Governing documents, organizational charters and bylaws and staff procedures and the composition of the governing body of the applicant are reviewed to determine term lengths, recruitment and retention policies, and communication methods from board to executive officer to routine staff and clients. This includes organizational staff capacity, hierarchy of authority, and dedicated staff sufficient to carry out the proposed activities detailed in their application narrative.

Thoughtful program delivery is evidenced through a clear logic model with identified inputs, measurable performance output tracking, and the long-term impact expected from the activity given the parameters of the application and funding. Contingency plans, scaling or modification of program structure should be included in the program narrative. Technology is considered in order to ensure reliable data security, storage, and reporting abilities.

## SCORING AND RANKING:

As with all competitive grants, CoC applicants will submit applications for review, scoring and ranking by the CoC Ranking Workgroup under the direction of the CoC Finance Committee. The approved rubric and financial capacity analysis tools are provided ~~at the end of this document as Appendix 2 on an annual basis and can be viewed on the Community Development webpage.~~ The Finance Committee charter outlines the responsibilities ~~and can be read in detail in Appendix 3.~~

Should the Ranking Workgroup recommend funding to an agency with a history of poor performance or low utilization, the County may impose additional requirements as allowed by 2 CFR 200.207 and as necessary to ensure compliance with federal regulations and performance expectations. Recommendations of the Ranking Workgroup are submitted to the full CoC membership for approval, and then successful projects will be included in the Priority Listing of the full CoC Application.

## GRANT AWARD:

CoC subrecipients will be held to the same policies and procedures currently in use for CDBG and HOME subrecipients. Information contained in the subrecipient agreement shall conform to the requirements put forth in 2 CFR 200.210, an example of which is provided at the end of this document ~~as Appendix 4.~~ Program Component-specific performance requirements will be embedded in the individual subrecipient agreements as applicable.

Each subrecipient will select, and approve through their governing body through board resolution, the appointed project lead for each award. This individual will attest to the accuracy of information provided and serve as the liaison between the County UFA agent and the subrecipient. Changes in the approved point of contact must be communicated to the UFA immediately, and a suitable replacement must be made and authorized by both the County as UFA and the entity's governing body. Copies of resolutions and authorizations are required to be kept and made available to the County or HUD upon request. County staff will conduct an initial risk assessment by reviewing organizational indicators, prior year audit reports, the agency's internal controls, previously submitted invoices, and results from prior year monitoring visits to assess level of risk. Enhanced risk subrecipients will be subject to increased monitoring and may be subject to the conditions specified in the McHenry County CoC Policy and Procedures for Determining and Monitoring Enhanced Risk Partner Agencies. The project will be monitored throughout the grant term to ensure compliance with project delivery standards for service provision, data accuracy and reporting, fiscal management, and internal controls.



# 2021 UFA Policy & Procedure Manual

McHenry County Planning and Development | 2021



## ANNUAL ONSITE MONITORING VISITS:

During the annual monitoring evaluation process the County will obtain updates to internal controls from the prior year and, if necessary, test certain controls, review fiscal standards, follow-up on items found non-compliant in the prior year's monitoring visit, review findings from current year invoice monitoring, discuss issues raised during the external audit, and assess risk. If in-kind services are provided, the County will check for in-kind match source documentation, eligibility of use, and the tracking method while onsite during the monitoring review.

## PROGRESS REPORTS AND REPORTING TO THE COC:

Each program will receive at least one on-site monitoring and one desk monitoring annually. Subrecipients will be given two weeks' notice to prepare for the on-site monitoring. Results of any **financial** monitoring will be shared with the CoC **Finance Committee** and will dictate if they will require more oversight. Programs with concerns but no findings will receive quarterly monitoring for one full year following the initial review. Programs with findings will be required to complete the corrective actions within one month and will continue with monthly on-site monitoring until the issues of non-compliance have been demonstrably rectified. Programs with no findings or concerns will have a follow-up desk monitoring within six months to certify continued compliance. The CoC may impose stronger or less stringent follow-up compliance or in-person interviews with the subrecipient.

Quarterly financial monitoring reports will be provided to the Finance Committee and quarterly program progress reports including HMIS data will be collected and disseminated to the full CoC membership. The McHenry County CoC complies with the Illinois Open Meeting Act, and as such all information released to the full membership of the CoC will be posted on the CoC webpage and accessible to the public at any time without formal request.

## REIMBURSEMENTS:

Transactions are initiated by a reimbursement request sent to the County for payment. The request comprises of a cover sheet unique to each subrecipient and grant award, and provides an overview of the grant fund naming convention details, award amount, approved budget line items, and a notarized signature from individual authorized to request payment. Division staff then reviews the materials supplied to corroborate the requested reimbursement for eligibility and cost reasonableness. In the event of new awards, proof of activity commencement and incurred costs will prompt initial reimbursement for the first quarter, after which, successful quarterly monitoring will ensure continued payments. Effective procedures that provide for clear and error-free submission of reimbursement requests and supporting source documents to corroborate expenditures are required. A detailed instruction guide is included in the grant agreement supplementary documents.

Agencies will fully complete the reimbursement form and supply corroborating documents. Descriptions must be detailed enough to show the type of expense (e.g., 'office supplies' rather than 'supplies'). For rental assistance and leasing line item descriptions must include the client HMIS number. Program income descriptions must detail how program income was spent.

Matching expenses are to be listed in the same manner as expenses being submitted for reimbursement. If an expense is not allowable for reimbursement, it is not allowable as match. Matching expenses must follow the same rules for documentation and allow ability as expenses to be



# 2021 UFA Policy & Procedure Manual

McHenry County Planning and Development | 2021



reimbursed. County staff will review all invoices to verify mathematical accuracy, correctness of budget/program categories, consistency with prior invoices, and allowable costs, per applicable regulations.

The initial review will include comparison of the items listed on the reimbursement form to the agency's submitted CoC application budget to ensure the expenses were included in the original budget. Items will also be reviewed to ensure the expense is allowable per the CoC Homeless Crisis Response System Policies and Procedures (HEARTH regulations) for each budget line item. If any expense requires further explanation, the County will contact the agency. If the expense is determined to be unallowable, the agency will be asked to remove the expense and resubmit the invoice. If no problems are detected, the invoice will be processed for payment in accordance with the reimbursement procedures established by McHenry County. If the reimbursement package contains document errors or ineligible items, the reimbursement will not be processed until the errors are resolved. Simple mathematical errors will be fixed by County staff and the reimbursement will be processed for payment.

## REALLOCATION POLICY:

There will be a separate reallocation policy for underspending, which is temporary in nature and needs to be rapidly redistributed, and a separate policy for all other funding reallocations, which are permanent in nature and may not require rapid redistribution. The underspending policy imposes specific spending expectations on the subrecipients and permits the UFA to reallocate funds if a project does not meet expectations. If spending is below the target, the subrecipient must present a plan to spend the funds by the end of year, otherwise the funds will be reallocated to another project. When recaptured funds are identified, UFA ~~does not need to obtain approval provided it follows the policy~~ **will relay the matter to the Finance Committee for review/recommendations, which will be forwarded to the Steering Council for review and then to CoC Board for final vote. Consistent with by-laws, this review/approval can be completed via email or Special Meeting in the interest of time.** The UFA will issue a Funding Request to the community and will try to quickly match the reallocated funds to an appropriate project. Reallocated funds will be restored to the original subrecipient in the following grant year (unless permanently reallocated under the "permanent" policy).

Reallocation decisions will be documented and reviewed by the ~~UFA Oversight Committee~~ **Finance Committee** (after the fact) as part of its ongoing monitoring of UFA performance.

The other reallocation policy addresses reallocations which are permanent in nature, both voluntary and involuntary. The policy lists likely scenarios where funds may be permanently reallocated, including chronic underspending, and capacity and compliance issues with the subrecipient.

A voluntary reallocation is either initiated by the subrecipient or the subrecipient agrees to a recommendation to reallocate by the UFA or CoC. The reallocation process is straightforward, as the subrecipient agrees to the reallocation. An involuntary reallocation is a reallocation that is contested by the subrecipient. The policy details the procedure for making a final determination to reallocate. The recommendation is initially reviewed by the ~~UFA Oversight Committee~~ **Finance Committee, forwarded to the Steering Council for review/recommendation**, and the final decision rests with the CoC Board. Once funds are permanently recaptured, the process for reallocating the fund varies based on the timing of the reallocation:



# 2021 UFA Policy & Procedure Manual

McHenry County Planning and Development | 2021



- If the funds need to be reallocated within a grant year, the reallocation process will be similar to the underspending policy process.
- If the funds will be reallocated in the following grant year, reallocated funds will either be added to the funding pool for new project applications, or a separate Funding Request can be issued, with expanded notice provisions that align with the availability of the funds.

## Monitoring and Audit Guide

### Initial Evaluation of Internal Controls

County staff will conduct an evaluation of the subrecipient's internal controls over financial matters to determine if the controls required by the grant(s) being reviewed are in place. The initial evaluation will be more extensive, and will only need to be updated on subsequent monitoring visits, unless there are significant changes in internal controls, significant staff turnover, or other risk factors present. As part of the initial evaluation process, each sub-recipient will be asked to provide the following information:

- A completed Internal Controls Questionnaire provided by the County
- A copy of the accounting manual or other policies and procedural manuals including, at a minimum, the following policies and procedures:
  - ✓ *Procurement*
  - ✓ *Property and Equipment*
  - ✓ *Travel expense reimbursement*
  - ✓ *Accounts payable/invoice processing*
  - ✓ *Personnel and timekeeping*
  - ✓ *Direct and Indirect Cost allocation plan*
  - ✓ *The organization's chart of accounts*
  - ✓ *The organizational chart*

The Internal Controls Questionnaire must be completed by agencies and returned to the County one week prior to the agency's monitoring visit. County staff will review the material and during the onsite visits will conduct an internal controls interview with the appropriate fiscal staff focusing on the control areas significant to or required for the grant(s) being monitored.

Any areas of noncompliance will be noted in the monitoring report and the subrecipient will be asked to address the areas of concern. McHenry County will monitor implementation of and the effectiveness of the updated procedures in subsequent monitoring visits or monthly invoice monitoring. If significant deficiencies remain, the sub-recipient may be deemed to be an enhanced risk.

Subrecipients with the following characteristics will be deemed as having an enhanced risk:

- Independent auditors' reports
- A modified opinion or going-concern findings on the audited financial statements
- Findings of deficiencies or material weaknesses in internal control
- Findings of non-compliance with 2 CFR 200
- Management letter comments having a direct impact on the grant(s) being monitored
- Other significant audit findings
- A history of failing to fully expend federal funds (if applicable)



# 2021 UFA Policy & Procedure Manual

McHenry County Planning and Development | 2021



- Recurring invoice/reimbursement errors on invoices submitted to the County
- High staff turnover in key fiscal positions
- Prior monitoring findings in the fiscal area

To be removed from the enhanced risk category, a subrecipient must demonstrate the following improvements, depending on the area of concern:

- Clean audit opinions on financial statements, internal controls, and federal 2 CFR 200 audit
- Steady spend down of federal funds
- No significant invoice errors for 6-12 months, at McHenry County 's discretion
- For high staff turnover, an acceptable transition plan and consistent implementation of that plan
- Compliant monitoring report in the fiscal area

## DATA TREATMENT COMPLIANCE:

The review will be conducted on a sample of files. A minimum of 95% of the data elements from the sampled files must match McHenry County data to achieve compliance. Data for the files will be extracted, selected, and compiled by the Operations Administrator or Database Administrator responsible for pulling monitoring data. The data will be retrieved from the HMIS database and organized into an Excel table. The reviewer(s) will compare the HMIS data to the agency file to determine compliance. File reviews must consist of a minimum of 10 files. If a program does not have the minimum number of 10 files, all files will be reviewed. The maximum number of files reviewed for emergency shelter programs is 10% of the annual unduplicated number served or 40 files for single adult programs and 30 files for family programs, whichever is lesser. The maximum number of files reviewed for all other programs is 10% of the annual unduplicated number served or 40 files, whichever is lesser, but not less than the 10 files noted [in item 3](#) above.

Selected files will generally include at least 25% but no more than 50% closed (exited) files. If a program does not have the minimum number of 25% exited files, all exited files will be reviewed. For PSH/long-term programs, around 50% of un-exited clients will be those who entered in the past 12 months. McHenry County reserves the right to increase file selection size above the stated maximum or adjust the mix of exited/un-exited files selected, based on prior year agency performance.

All files will be reviewed for the following elements:

- Signed Client Acknowledgement for Electronic Data Collection/Consent form.
- List of HMIS data elements
- Exit or annual review data, including date of exit from program and other data elements related to exit/annual reviews, as applicable.

A minimum of 95% of all the reviewed data elements per program must match the data entered into CSP, excluding entry and exit dates which must be 100% accurate. For annual reviews, each individual sub-assessment record will be counted as incorrect if the data element is not entered into HMIS within a 30-day window on either side of the client's anniversary of program entry. Agencies should correct all errors identified by the reviewer(s) even when the 95% compliance is achieved. The corrections will not be reviewed by County staff and will not affect subsequent reports.



# 2021 UFA Policy & Procedure Manual

McHenry County Planning and Development | 2021



Agencies that fall below 90% accuracy will not be provided specific data relating to CSP errors and may have to schedule a technical assistance visit. The County may request a corrective action plan as well.

Agencies that fall between 90%-94.45% accuracy will be given an opportunity to review data with the reviewer and clarify any errors during the initial site visit. If the rating does not reach 95%, the County may schedule a second visit and may request additional information.

If an agency fails to achieve compliance, the agency may appeal the decision and/or remedy the problem. A follow-up review may occur and the reviewer will repeat the steps described above. The agency must demonstrate that 100% of files previously found to be non-compliant have been corrected to the fullest extent possible. If information is not available to achieve 100% compliance, the agency will demonstrate steps taken to ensure the errors will not be made again. In addition, a new sample of files must also meet the 95% standard. The new sample of files will be the same number of initial client files representing new admissions since the time of the previous review(s) or for the initial evaluated period, at the County's discretion.

If the agency requires a second file review, the agency may need to recertify all HMIS end-users through additional training sessions conducted by County staff. Additional trainings and recertification should occur prior to the second file review, if possible, and must be completed before the final monitoring report will be issued.

If the agency requires a third file review, the agency may be required to develop a comprehensive Quality Improvement (QI) Plan, in addition to the third visit and other corrective actions noted above. The QI Plan will detail new policies and procedures the agency will adopt to ensure present and future compliance with McHenry County standards. The QI Plan must be approved by the McHenry County CoC. Any agency with a final status of non-compliant will enter into a conditional subrecipient agreement amendment with McHenry County for the remainder of the current fiscal year. Specific conditions will be determined by the areas of concern leading to the non-compliant status. Failure to comply with conditional contracting may lead to loss of funding and/or other penalties as determined by McHenry County.

## **SERVICE PROVISION (AND OTHER) COMPLIANCE:**

Using the sample of files compiled for the data accuracy review, McHenry County reviewers will conduct a separate file review to determine compliance with standards related to program operations, client rights, services planning, housing, and facilities. The reviewer will review each selected client's file to ensure (1) client eligibility, (2) adherence to the Housing First model, (3) compliance with regulations, as applicable, and (4) the program's ability to meet outcomes as specified in the program's Program Outcome Plan. The County has the right to randomly inspect CoC-funded units. The County will not reimburse partner agencies for any unit that fails inspection until inspection is passed.

The reviewer will focus on program outcomes rather than methodologies. Areas of concern and/or possible non-compliance gleaned from the review of the client files will be tracked using a program-specific review tool. Each separate instance of possible non-compliance will be noted on the review tool, identified by client ID number and correlating standard.



# 2021 UFA Policy & Procedure Manual

McHenry County Planning and Development | 2021



## CLIENT PROTECTIONS:

Records will be examined to verify confidentiality of records, specifically for those records pertaining to any individual or family that was provided family violence prevention or treatment services through the project; confidentiality of the locations of family violence projects; and proof of policies and practices that enable program participants to exercise the rights afforded them. Federal statutes, orders and other laws relating to the provision of educational and related services to individuals and families experiencing homelessness must be followed, including protections under McKinney-Vento. The established education Homeless Liaison must be known for each school available upon request from reviewers. Sufficient staff must be in place for family projects to ensure that children of program participants are enrolled in school and connected to early childhood programs and other appropriate services.

## HMIS DATA PRIVACY:

Notice of implied consent must be posted and visible to anyone entering the building. A signed copy of the agency's client policy must be evident in the file. Verification of specific HMIS end-user compliance will be monitored during data training and certification.

## HOMELESSNESS AT ENTRY GUIDELINES:

Partner agencies are responsible for having the appropriate documentation in the client files. Non-compliance can result in a finding for the Continuum of Care and can result in repayment of federal funds and reduced chances of receiving future federal funding. Appropriate documentation is:

- HMIS entry/exit record printout showing the client is in shelter, rapid re-housing, or transitional housing.
- Documentation from a domestic violence shelter, outreach provider, institution, or other third party.
- Self-certification of homelessness from the client can be used rarely and only as a last resort, if HMIS or third-party documentation cannot be obtained. Agencies must document multiple attempts to obtain third-party documentation prior to resorting to self-certification.

## RENT REASONABLENESS GUIDELINES:

- Review of Rental Assistance projects files to ensure the following items are included:
  - ✓ *Copy of lease for RA programs*
  - ✓ *Annual income recertification*
  - ✓ *Annual Rent Reasonableness for RA programs*
  - ✓ *Annual HUD HQS inspection form*
  - ✓ *Annual Client rent calculation form*

Rent reasonableness is required to be 100% accurate because non-compliance results in a finding for the Continuum of Care and can result in repayment of federal funds and reduced chances of receiving future federal funding. If 100% accuracy is not met, the agency will be found non-compliant and will be required to have a second site visit. During the second visit, both the first set of files reviewed and a new set of files must be 100% accurate.

## RENT CALCULATION GUIDELINES:



# 2021 UFA Policy & Procedure Manual

McHenry County Planning and Development | 2021



Rent calculations must be 100% accurate because non-compliance results in a finding for the Continuum of Care and can result in repayment of federal funds and reduced chances of receiving future federal funding. If there is a minor typo/edit on one calculation, the agency will be found compliant with conditions, the condition being that the agency must correct the error and give its staff a memo impressing on them the importance of the accuracy of the rent calculations. Both the corrected rent calculation document and the memo to agency staff must be submitted to the County.

If numerous mistakes and/or an obvious consistency in the type of errors are found, the agency will be found non-compliant and must review and correct all files. McHenry County will conduct a second site visit. During the second visit, both the first set of files reviewed and a new set of files must be 100% accurate.

## **FINDINGS, CONCERNS, AND POOR PERFORMANCE: FISCAL, PERSONNEL, GOVERNANCE, AND OTHER COMPLIANCE:**

Upon completion of the review of the selected files and standards, the reviewer will discuss any areas of concern with agency staff. Full compliance with standards is determined by HUD requirements, McHenry County requirements, and historical patterns found by the County during the review. For HUD requirements, 100% of the program files must be compliant because non-compliance with federal standards results in a finding for the Continuum of Care and can result in repayment of federal funds and reduced chances of receiving future federal funding. For McHenry County programmatic requirements, 95% of the files must be compliant. Areas of concern noted on the program review tool may not be sufficient to issue a status of non-compliance. Additional information may be requested at the County's discretion.

Agencies found non-compliant for any issue may be held to no more than three separate site visits to achieve compliance. If the agency is found non-compliant due to a service-related issue(s) after the first visit, the agency, represented by any staff members directly responsible for the service-related issue(s), may be required to attend a technical assistance (TA) meeting led by the County. If the non-compliance can be corrected, a follow-up site visit will be scheduled following the TA meeting to ensure that all services are being provided in a manner compliant with County standards. The agency must demonstrate that 100% of files previously found to be non-compliant have been corrected to meet HUD and/or McHenry County programmatic requirements of 100% and 95% compliance respectively. The new sample of files will be the same number of initial client files representing new admissions since the time of the previous review(s) or for the initial evaluated period, at the County's discretion.

If, after the second visit, the agency is still found to be non-compliant, the agency will, at its own expense, schedule and attend McHenry County-directed or third-party-led technical assistance prior to any third and final site visit, if applicable. Any third-party-led technical assistance must be approved by the County prior to the event. Any agency with a final status of non-compliant will enter into a conditional subrecipient agreement amendment with McHenry County for the remainder of the fiscal year. Specific conditions will be determined by the areas of concern leading to the non-compliant status and developed by the County. Failure to comply with conditional contracting may lead to loss of funding and/or other penalties as determined by the McHenry County CoC.



# 2021 UFA Policy & Procedure Manual

McHenry County Planning and Development | 2021



If the agency is found to be non-compliant, the agency will be issued a non-compliant status for the current fiscal year. Conditional contract language incorporated as a result of non-compliance will be carried over into the next fiscal year.

Agencies found non-compliant may be held to no more than three separate site visits to achieve compliance. However, at the discretion of the CoC, non-compliance and/or termination of funding for the year may be determined after the first site visit, dependent on the severity of the non-compliance.

In case of non-compliance, the County may choose to require the recipient to enter into a QI Plan. The QI Plan is tailored to the recipient and focused on the steps required for compliance. The recipient will have a conditional contract with McHenry County that will focus on the steps needed for compliance and continued funding. Intervention will consist of monitoring visits by County staff and/or an improvement plan and regular reports and meetings between the County and the partner agency. McHenry County may request additional external, specialized fiscal oversight on a case by case basis.

## COMPLIANT WITH CONDITIONS STATUS:

Agencies may be awarded the status of “compliant with conditions” based upon individual, extenuating circumstances relating to compliance issues. Compliance with conditions requires a resolution similar to any determination of non-compliance, usually involving a development of a corrective action plan and/or monthly file reviews specific to the area(s) of concern. Agencies determined to be “compliant with conditions” will see their compliance status reflected in the program evaluation, but will remain eligible for merit incentive funding.

## APPEALS PROCESS:

The CoC will be notified of any appeal. The agency must notify McHenry County if they wish to appeal the monitoring results via email within two weeks of issuance of the Final Report. Each item in the report that the agency is appealing must be listed and a complete, detailed explanation given as to why the agency believes the finding/concern is incorrect. McHenry County will review the appeal with the CoC and if it is determined that the report is incorrect, a new report will be issued. If it is determined that the explanation does not change the findings, the agency will be notified.

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In its capacity as a grantee under the Community Development Block and HOME Investment Partnerships Program entitlements, McHenry County is accustomed to developing processes related to the reimbursement of eligible grant program expenses from subrecipients. The vast majority (90%+) of projects under these programs are completed by subrecipients.

Program staff are required to be trained across all grant programs within the Community Development Division. Staff must be trained in eligible activities before they can review reimbursement requests from subrecipients.

As a proposed UFA, the County acknowledges that renewal CoC projects, planning and HMIS awards **we will** be awarded in one grant while new projects will be awarded as a separate grant from HUD and made available to the UFA in LOCCS. Prior to any draws, subrecipient agreements will be in place and all



# 2021 UFA Policy & Procedure Manual

McHenry County Planning and Development | 2021



required environmental reviews and determinations of consistency with the community's consolidated plan for community development will be cleared.

For subrecipient reimbursements, the following shall be the procedure for draws from LOCCS:

1. After receipt of a fully executed subrecipient agreement, the subrecipient may begin to incur eligible program costs **as of the effective date of the subrecipient contract or agreement.**
2. On a basis of at least monthly, the subrecipient shall provide a reimbursement request, which will include all documented expenses and source information. This means that the subrecipient must provide substantiated expenses for its reimbursement request. This request must be submitted to the County by the end of the month following the month in which they were incurred. For example, if expenses were incurred for February, then the reimbursement request for February must be submitted by March 31st. Reimbursement requests may be submitted more frequently.
3. Within seven (7) days of the receipt of the reimbursement request, the request shall be reviewed and approved for submission (receipted) into the County's proprietary accounting system. If the reimbursement request contains errors, it shall be rejected to the subrecipient for corrections. These actions shall restart the reimbursement request process.
4. Upon receipt of the reimbursement request into the County's proprietary accounting system, a draw sheet (similar to the CDBG Program) shall be drafted and submitted for management approval.
5. The draw sheet shall be reviewed and approved by the Community Development Administrator and the Director of Planning and Development (or their assigned signatories). The draw sheet shall also be signed by its writer and by the individual who intends to make the LOCCS draw. This individual can be the same person. This means the draw sheet shall be signed with four signatures. The draw number shall be documented in the draw sheet.
6. A LOCCS draw sheet will have been developed based on the draw being made from LOCCS. This sheet shall be signed by the Community Development Administrator, or assigned signatory. If requested by HUD, it shall also be countersigned by the assigned Financial Accounting staff from the County's Administrative Division, or their signatory.
7. The reimbursement request, draw sheet, and LOCCS draw sheet shall be scanned and submitted into the County's proprietary accounting system within four working days, and approved electronically for submission to the McHenry County Auditor's Office by the Community Development Administrator. If unavailable, then the Director of Planning and Development. If unavailable, then the Deputy Director of Planning and Development. If none of these individuals are available, a signatory may electronically submit the request.
8. The McHenry County Auditor's office shall review and either approve and forward the requisition to the County's Finance-Administration Division or reject it back to Community Development for corrections or clarifications. The Auditor's Office shall allow any eligible staff person to review



# 2021 UFA Policy & Procedure Manual

McHenry County Planning and Development | 2021



reimbursements. The latter decision would bring the request back to step 7 after corrections and clarifications have been made. The former decision would result in step 9.

9. The McHenry County Auditor's Office shall forward the reimbursement request to the County's Finance-Administration Division. This office shall complete a final review of the reimbursement and act as a liaison to the McHenry County Treasurer's Office.

10. Funds from LOCCS shall be deposited into the County's designated UFA account(s). Designated accounting staff from the Treasurer's Office shall interface with the County's Finance-Administration Division to ensure the fidelity of expenses and revenue. Should any issues arise, they shall be reconciled with the Community Development Division and documented through email.

For reimbursements for which the County is the grantee, the following shall be the procedure for draws from LOCCS:

1. After receipt of a fully executed grant agreement, the County may begin to incur eligible program costs.
2. On a basis of at least monthly, the County shall compile a reimbursement request, which will include all documented expenses and source information. This means that the grantee must provide substantiated expenses for its reimbursement request. This request must be developed for the County by the end of the month following the month in which they were incurred. For example, if expenses were incurred for February, then the reimbursement request for February must be submitted by March 31st. Reimbursement requests may be submitted more frequently, which is highly likely.
3. Within seven (7) days of the completion of the reimbursement request, the request shall be reviewed and approved for submission (receipted) into the County's proprietary accounting system.
4. Upon receipt of the reimbursement request into the County's proprietary accounting system, a draw sheet (similar to the CDBG Program) shall be drafted and submitted for management approval.
5. The draw sheet shall be reviewed and approved by the Community Development Administrator and the Director of Planning and Development (or their assigned signatories). The draw sheet shall also be signed by its writer and by the individual who intends to make the LOCCS draw. This individual can be the same person. This means the draw sheet shall be signed with four signatures. The draw number shall be documented in the draw sheet. If the reimbursement request is made on behalf of any of the individuals intended to sign the draw sheet, this shall be indicated on the draw sheet. Expense reimbursement requests resulting in a LOCCS draw shall not be made by the staff person for whom the expenses are being requested. The exception to this would be salary draws, as these have been reviewed and authorized through the payroll approval process.
6. A LOCCS draw sheet will have been developed based on the draw being made from LOCCS. This sheet shall be signed by the Community Development Administrator, or assigned signatory. If requested by HUD, it shall also be countersigned by the assigned Financial Accounting staff from the County's Administrative Division, or their signatory.



# ~~2021~~ UFA Policy & Procedure Manual

McHenry County Planning and Development | ~~2021~~



7. The reimbursement request, draw sheet, and LOCCS draw sheet shall be scanned and submitted into the County's proprietary accounting system within four working days, and approved electronically for submission to the McHenry County Auditor's Office by the Community Development Administrator. If unavailable, then the Director of Planning and Development. If unavailable, then the Deputy Director of Planning and Development. If none of these individuals are available, a signatory may electronically submit the request. Payroll reimbursement is not submitted into the County's proprietary accounting system; proceed to step 10.

8. The McHenry County Auditor's office shall review and either approve and forward the requisition to the County's Finance-Administration Division or reject it back to Community Development for corrections or clarifications. The Auditor's Office shall allow any eligible staff person to review reimbursements. The latter decision would bring the request back to step 7 after corrections and clarifications have been made. The former decision would result in step 9.

9. The McHenry County Auditor's Office shall forward the reimbursement request to the County's Finance-Administration Division.

10. The County's Finance-Administrative Division shall complete a final review of the reimbursement and act as a liaison to the McHenry County Treasurer's Office.

10. Funds from LOCCS shall be deposited into the County's designated UFA account(s). Designated accounting staff from the Treasurer's Office shall interface with the County's Finance-Administration Division to ensure the fidelity of expenses and revenue. Should any issues arise, they shall be reconciled with the Community Development Division and documented through email.

In any case, reimbursements for all eligible expenses shall be made within 45 days of receipt, unless there is a significant error. A significant error would entail a gross mistake in accounting, completely unsubstantiated or ineligible expenses, or suspicions of fraud, conflicts of interest, or malfeasance.