

## CHAPTER 8 ECONOMIC RECOVERY PROGRAMS

8-1 APPLICABILITY. The procedures outlined in this chapter are designed to provide guidance for monitoring funds provided under the Housing and Economic Recovery Act of 2008 (HERA), the American Recovery and Reinvestment Act of 2009 (Recovery Act), and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), specifically, for these programs:

- the Homelessness Prevention and Rapid Re-Housing Program (HPRP),
- the Neighborhood Stabilization Program 1 (NSP-1),
- the Neighborhood Stabilization Program 2 (NSP-2),
- the Neighborhood Stabilization Program 3 (NSP-3), and
- the Community Development Block Grant Recovery Program (CDBG-R).

These funds have been appropriated for activities that will create jobs, restore economic growth and help those in greatest need, as a result of an unprecedented economic downturn. The expectation is that these funds will be spent with some degree of urgency. Therefore, monitoring and oversight by CPD Field Office staff is a critical function to protect this investment.

8-2 REVIEW OBJECTIVES. HUD reviewers are to follow the risk analysis process as referenced in Chapter 2, Section 2-3, of this Handbook. Guidance specific to these programs is contained in the Notice, “Implementing Risk Analyses for Monitoring Community Planning and Development Grant Programs” (see: [http://portal.hud.gov/portal/page/portal/HUD/program\\_offices/administration/hudclips/notices/cpd](http://portal.hud.gov/portal/page/portal/HUD/program_offices/administration/hudclips/notices/cpd)).

While the guidance for the specific programs listed in Section 8-1 above is contained within this Chapter, each program has its own separate Exhibits to be used when conducting monitoring. It is important to note that the NSP-1, NSP-2, NSP-3, and CDBG-R Exhibits require the reviewer to use the existing CDBG Exhibits that are in Chapters 3 and 4 of this Handbook.

8-3 MONITORING THE HOMELESSNESS PREVENTION AND RAPID RE-HOUSING PROGRAM (HPRP). This part of Chapter 8 provides guidance for conducting comprehensive monitoring of the Homelessness Prevention and Rapid Re-Housing Program (HPRP). It contains nine Exhibits specific for monitoring the HPRP program, covering: HPRP Program Progress; HPRP-Assisted Housing; HPRP Financial Assistance and Housing Relocation and Stabilization Services; HPRP Program Participants; HPRP Subgrantee Management; HPRP Overall Grant Management; HPRP Financial Management; HPRP Cost Allowability; and HPRP Other Federal Requirements.

- A. Program Overview. HUD awards funds for HPRP on a formula basis, for the purpose of providing financial assistance and/or housing relocation and stabilization services to either prevent individuals and families from becoming homeless or help those who are experiencing homelessness to be quickly re-housed and stabilized. HUD awarded HPRP funds through the approval of the Substantial Amendment to the Consolidated Plan 2008 Annual Action Plan submitted by eligible grantees.

Eligible grantees are States, Metropolitan Cities, Urban Counties and Territories. Generally, grantees may only subgrant to non-profit organizations and local governments. However, a local government grantee that obtains a waiver from HUD may subgrant to a public housing agency. (Note: For purposes of this program, term “grantee” means the direct recipient of the HUD award. The term “subgrantee” means the organization that is responsible for carrying out the proposed project activities. The term “program participant” means the individuals and adults in families who received assistance during the operating year.)

- B. Preparing for Monitoring HPRP. The specific HPRP program areas or requirements to be monitored are determined as part of the risk assessment process (see additional guidance provided in Chapter 2 and Section 8-2 above). Before monitoring, the reviewer should be familiar with the HPRP requirements and the design and operation of the grantee’s project, particularly those areas that have been identified as high risk or are the focus of the monitoring. Information that will assist in successful HPRP monitoring includes:

- the authorizing legislation, Title XII of Division A of the American Recovery and Reinvestment Act of 2009 (“Recovery Act”);
- the “Notice of Allocations, Application Procedures, and Requirements for Homelessness Prevention and Rapid Re-Housing Program Grantees under the American Recovery and Reinvestment Act of 2009” (HPRP Notice);
- the grant agreement(s) for the program(s) being monitored;
- any HUD-approved waivers;
- the most recent Annual Performance Report (APR);
- the most recent HPRP Quarterly Performance Report;
- Integrated Disbursement and Information System (IDIS) draw-down information;
- the approved HPRP Substantial Amendment to the Consolidated Plan 2008 Annual Action Plan; and
- the Homeless Management Information System (HMIS) (examining usage of system for HPRP).

C. File Selection and Sampling. As described in Chapter 2, the risk analysis process will be used to determine which grantees and areas should be reviewed. The term “files” for compliance monitoring purposes, includes files from the grantee, the subgrantee, or a combination of both, as applicable. Once that process has been completed, where it is indicated that a file review is necessary to answer Exhibit questions, the HUD reviewer should consider the following factors when determining the specific files that will comprise the review sample:

1. Where feasible, initial file selection should be made using a random selection method.
2. The reviewer would consider adding more files to this selection in order to:
  - i. Include a file or files from each staff person working in the respective program area being monitored.
  - ii. Expand the sample, if possible, to include additional files with the same characteristics, if indicated by the severity or nature of any problems(s) noted during the review of the initial selection (for example, same problem category, same staff person, same activities or other characteristics).

This expanded sampling aids in determining whether problems are isolated events or represent a systemic problem. *Note, however, that Exhibit 8-4, “Guide for Review of HPRP Program Participants,” is mandatory for all HPRP projects.*

3. The reviewer may also add files to the selection from any HPRP program that the HUD reviewer has reason to believe may have compliance problems or that is substantially different in terms of size, complexity, or other factors from other projects the HPRP grantee has undertaken.

#### 8-4 MONITORING THE NEIGHBORHOOD STABILIZATION PROGRAM 1 (NSP-1).

This part of Chapter 8 provides guidance for conducting comprehensive monitoring of Neighborhood Stabilization Program 1 (NSP-1) projects. It contains seven Exhibits specific to monitoring this Program, covering: NSP-1 Program Progress; NSP-1 National Objective of Benefit to Low-, Moderate-, and Middle-Income Persons; NSP-1 Cooperative Agreements; NSP-1 State Requirements; NSP-1 Continued Affordability; NSP-1 Eligible Use C: Establish Land Banks; and NSP-1 Fair Housing and Equal Opportunity Requirements.

A. Program Overview. HUD awarded funds for NSP-1 on a formula basis, for the purpose of providing emergency assistance for redevelopment of abandoned and foreclosed homes and residential properties. HUD awarded NSP-1 funds through the approval of a Substantial Amendment to the 2008 Consolidated Annual Action Plan. The submission of the substantial amendment required grantees to design their program around a set of NSP-1 eligible uses that correlated with a number of eligible activities from the CDBG entitlement regulations.

Eligible grantees are entitlement communities, States, and the insular areas. Grantees may subgrant to non-profit organizations and local governments. (Note: For purposes of these monitoring exhibits, term “Program Participant” means the direct recipient of the HUD award (Grantee) and the organization that is responsible for carrying out the proposed project activities.)

B. Preparing for Monitoring NSP-1. The specific NSP-1 program areas or requirements to be monitored are determined as part of the risk assessment process (see additional guidance provided in Chapter 2 and Section 8-2 above). Before monitoring, the reviewer should be familiar with the NSP requirements and the design and operation of the grantee’s program, particularly those areas that have been identified as high risk or are the focus of the monitoring. Information that will assist in successful NSP-1 monitoring includes:

- the authorizing legislation, Title III of Division B of the Housing and Economic Recovery Act of 2008 (HERA);
- the authorizing legislation, Title XII of Division A of the American Recovery and Reinvestment Act of 2009 (“Recovery Act”);
- the authorizing legislation, Title I of Division A of the Helping Families Save Their Homes Act of 2009 (HFSTHA);
- the “Notice of Formula Allocations and Program Requirements for Neighborhood Stabilization Program Formula Grants” (Unified Notice), published at 75 Fed. Reg. 64322;
- the “Notice of Allocations, Application Procedures, Regulatory Waivers Granted to and Alternative requirements for Emergency Assistance for redevelopment of Abandoned and Foreclosed Homes Grantees Under the Housing and Economic Recovery Act, 2008” (NSP Notice), published at 73 Fed. Reg. 58330;
- the “Notice of Allocations, Application Procedures, Regulatory Waivers Granted to and Alternative requirements for Emergency Assistance for redevelopment of Abandoned and Foreclosed Homes Grantees Under the Housing and Economic Recovery Act, 2008; Revisions to Neighborhood Stabilization Program (NSP) and Technical Corrections” (“Bridge Notice”), published at 74 Fed. Reg. 29223;
- the “Notice of Neighborhood Stabilization Program Reallocation Process Changes,” published at 75 Fed. Reg. 52772;
- the approved NSP-1 Substantial Amendment to the 2008 Consolidated Annual Action Plan;
- the “Notice of Change in Definitions and Modification to Neighborhood Stabilization Program (NSP)” published at 75 Fed. Reg. 18228;
- the State’s Public Law 111-22 minimum allocation substantial amendment (if applicable);

- the grant agreement(s) for the project(s) being monitored;
- any HUD-approved waivers;
- the most recent Disaster Recovery Grant Reporting System (DRGR) Quarterly Performance Report (QPR);
- the Integrated Disbursement and Information System (IDIS) draw-down information (if NSP-1 funds are being combined by other HUD funds);
- other applicable chapters of this Handbook as the NSP-1 Exhibits contain only NSP-1 specific questions, whereas the grants are to be considered Community Development Block Grant (CDBG) funds. Therefore, Chapter 3, *Community Development Block Grant (CDBG) Entitlement, Small Cities, Non Entitlement CDBG Grants in Hawaii, and Insular Area Programs*; and Chapter 4, *State Community Development Block Grant (CDBG) Program*, are to be used in conjunction with the NSP-1 specific Exhibits for monitoring purposes. Moreover, it is important to note that all of the cross-cutting requirements that are associated with the CDBG program are applicable to NSP and should be monitored accordingly (e.g., Exhibit 8-16, which covers the civil rights requirements for all NSP-1, NSP-2, and NSP-3 grants, and all chapters of this handbook referenced therein).

C. File Selection and Sampling. As described in Chapter 2, the risk analysis process will be used to determine which grantees and areas should be reviewed. The term “files” for compliance monitoring purposes, includes files from the grantee, the subgrantee, or a combination of both, as applicable. Once that process has been completed, where it is indicated that a file review is necessary to answer Exhibit questions, the HUD reviewer should consider the following factors when determining the specific files that will comprise the review sample:

1. Where feasible, initial file selection should be made using a random selection method.
2. The reviewer would consider adding more files to this selection in order to:
  - i. Include a file or files from each staff person working in the respective program area being monitored.
  - ii. Expand the sample, if possible, to include additional files with the same characteristics, if indicated by the severity or nature of any problems(s) noted during the review of the initial selection (for example, same problem category, same staff person, same activities or other characteristics).

This expanded sampling aids in determining whether problems are isolated events or represent a systemic problem.

3. The reviewer may also add files to the selection from any project that the HUD reviewer has reason to believe may have compliance problems or that is substantially different in terms of size, complexity, or other factors from other projects the NSP-1 grantee has undertaken.

8-5 MONITORING THE NEIGHBORHOOD STABILIZATION PROGRAM 2 (NSP-2).

This part of Chapter 8 provides guidance for conducting comprehensive monitoring of the Neighborhood Stabilization Program 2 (NSP-2) projects.

- A. Program Overview. HUD awarded funds for NSP-2 on a competitive basis, for the purpose of providing emergency assistance for redevelopment of abandoned and foreclosed homes and residential properties. HUD awarded NSP-2 funds through the competitive process, using a separate grant agreement. The submission of the NSP-2 grant application required grantees to design their program around the requirements set forth in the NSP-2 Notice of Fund Availability (NOFA), using NSP eligible uses that correlated with a number of eligible activities from the CDBG entitlement regulations.

Eligible grantees are state governments, units of general local government, Indian tribes, public housing authorities, nonprofit entities (public and private), or consortium of nonprofits (public and private). Grantees may subgrant to non-profit organizations and local governments. (Note: For purposes of these monitoring Exhibits, term “Program Participant” means the direct recipient of the HUD award (Grantee) and the organization that is responsible for carrying out the proposed project activities.)

- B. Preparing for Monitoring NSP-2. The specific NSP-2 program areas or requirements to be monitored are determined as part of the risk assessment process (see additional guidance provided in Chapter 2 and Section 8-2 above). There is a single NSP-2 Exhibit, 8-17, in this Chapter for monitoring program progress. Before monitoring, the reviewer should be familiar with the NSP-2 requirements and the design and operation of the grantee’s program, particularly those areas that have been identified as high risk or are the focus of the monitoring. Information that will assist in successful NSP-2 monitoring includes:

- the authorizing legislation, Title III of Division B of the Housing and Economic Recovery Act of 2008 (HERA).
- the authorizing legislation, Title XII of Division A of the American Recovery and Reinvestment Act of 2009 (“Recovery Act”);
- the “Notice of Formula Allocations and Program Requirements for Neighborhood Stabilization Program Formula Grants” (Unified Notice), published at 75 Fed. Reg. 64322;
- the “Notice of Definition Revision to Notice of Fund Availability (NOFA) for Fiscal Year 2009: Neighborhood Stabilization Program 2 (NSP-2) under the American Recovery and Reinvestment Act of 2009; Change in Definitions;”
- the “Notice of HUD’s Fiscal Year (FY) 2009 Notice of Funding Availability (NOFA); Policy Requirements and General Section to HUD’s FY 2009 NOFAs for Discretionary Programs;”

- the “Notice of Fund Availability (NOFA) for the Neighborhood Stabilization Program 2 under the American Recovery and Reinvestment Act, 2009” (NSP-2 NOFA);
- the three NSP-2 NOFA Correction Notices:
  - the “Notice of Fund Availability (NOFA) for Fiscal Year 2009 Neighborhood Stabilization Program 2 under the American Recovery and Reinvestment Act of 2009; Correction” [Docket No. FR-5321-C-02, June 11, 2009];
  - the “Notice of Fund Availability (NOFA) for Fiscal Year 2009 Neighborhood Stabilization Program 2 under the American Recovery and Reinvestment Act of 2009; Correction” [Docket No. FR-5321-C-03, November 9, 2009];
  - the “Notice of Fund Availability (NOFA) for Fiscal Year 2009 Neighborhood Stabilization Program 2 under the American Recovery and Reinvestment Act of 2009; Correction” [Docket No. FR-5321-C-04, January 21, 2010];
- the consortium agreement (if applicable) for the project(s) being monitored;
- the grant agreement(s) for the project(s) being monitored;
- any HUD-approved waivers;
- the most recent Disaster Recovery Grant Reporting System (DRGR) Quarterly Performance Report (QPR);
- the Integrated Disbursement and Information System (IDIS) draw-down information (if NSP-2 funds are being combined by other HUD funds);
- other applicable chapters of this Handbook as the NSP-2 exhibit contains only NSP-2 specific questions, and the grants are to be considered Community Development Block Grant (CDBG) funds. Therefore, Chapter 3, *Community Development Block Grant (CDBG) Entitlement, Small Cities, Non Entitlement CDBG Grants in Hawaii, and Insular Area Programs*, Chapter 4, *State Community Development Block Grant (CDBG) Program*, and the NSP-1 Exhibits in this Chapter outline the NSP-specific requirements that are applicable to both programs and are to be used in conjunction with the NSP-2 specific Exhibit for monitoring purposes. Moreover, it is important to note that all of the cross-cutting requirements that are associated with the CDBG program are applicable to NSP and should be monitored accordingly (e.g., Exhibit 8-16, which covers the civil rights requirements for all NSP-1, NSP-2, and NSP-3 grants, and all chapters of this handbook referenced therein).

C. File Selection and Sampling. As described in Chapter 2, the risk analysis process will be used to determine which grantees and areas should be reviewed. The term “files” for compliance monitoring purposes, includes files from the grantee, the subgrantee, or a combination of both, as applicable. Once that process has been completed, where it is indicated that a file review is necessary to answer Exhibit questions, the HUD

reviewer should consider the following factors when determining the specific files that will comprise the review sample:

1. Where feasible, initial file selection should be made using a random selection method.
2. The reviewer would consider adding more files to this selection in order to:
  - i. Include a file or files from each staff person working in the respective program area being monitored.
  - ii. Expand the sample, if possible, to include additional files with the same characteristics, if indicated by the severity or nature of any problems(s) noted during the review of the initial selection (for example, same problem category, same staff person, same activities or other characteristics).

This expanded sampling aids in determining whether problems are isolated events or represent a systemic problem. *Note, however, that Exhibit 8-17, "Guide for Review of NSP-2 Program Progress," is mandatory for all NSP-2 projects and must be used in conjunction with the NSP-1 Exhibits contained in Chapter 8 of this Handbook and all other aforementioned applicable CDBG Chapters and Exhibits as necessary to monitor the selected sample.*

3. The reviewer may also add files to the selection from any project that the HUD reviewer has reason to believe may have compliance problems or that is substantially different in terms of size, complexity, or other factors from other projects the NSP-2 grantee has undertaken.

#### 8-6 MONITORING THE NEIGHBORHOOD STABILIZATION PROGRAM 3 (NSP-3).

This part of Chapter 8 provides guidance for conducting comprehensive monitoring of Neighborhood Stabilization Program 3 (NSP-3) projects.

- A. Program Overview. HUD awarded funds for NSP-3 on a formula basis, for the purpose of providing emergency assistance for redevelopment of abandoned and foreclosed homes and residential properties. HUD awarded NSP-3 funds through the approval of a Substantial Amendment to the 2010 Consolidated Annual Action Plan or an abbreviated plan. The submission of the substantial amendment required grantees to design their program around a set of NSP-3 eligible uses that correlated with a number of eligible activities from the CDBG entitlement regulations.

Eligible grantees are entitlement communities, non-entitlement communities, States, and the insular areas. Grantees may subgrant to non-profit organizations and local governments. (Note: For purposes of these monitoring exhibits, term "Program Participant" means the direct recipient of the HUD award (Grantee) and the organization that is responsible for carrying out the proposed project activities.)



B. Preparing for Monitoring NSP-3. The specific NSP-3 program areas or requirements to be monitored are determined as part of the risk assessment process (see additional guidance provided in Chapter 2 and Section 8-2 above). There is a single NSP-3 Exhibit, 8-19, in this Chapter for monitoring program progress. Before monitoring, the reviewer should be familiar with the NSP requirements and the design and operation of the grantee's program, particularly those areas that have been identified as high risk or are the focus of the monitoring. Information that will assist in successful NSP-3 monitoring includes:

- the authorizing legislation, Title III of Division B of the Housing and Economic Recovery Act of 2008 (HERA);
- the authorizing legislation, Title XII of Division A of the American Recovery and Reinvestment Act of 2009 ("Recovery Act");
- the authorizing legislation, Section 1497 of the Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act);
- the "Notice of Formula Allocations and Program Requirements for Neighborhood Stabilization Program Formula Grants" (Unified Notice), published at 75 Fed. Reg. 64322;
- the approved NSP-3 Substantial Amendment to the 2010 Consolidated Annual Action Plan or abbreviated plan for non-entitlement local governments;
- the "Notice of Change in Definitions and Modification to Neighborhood Stabilization Program (NSP)" published at 75 Fed. Reg. 18228;
- the grant agreement(s) for the project(s) being monitored;
- any HUD-approved waivers;
- the most recent Disaster Recovery Grant Reporting System (DRGR) Quarterly Performance Report (QPR);
- the Integrated Disbursement and Information System (IDIS) draw-down information (if NSP-1 funds are being combined by other HUD funds);
- other applicable chapters of this Handbook as the NSP-3 Exhibit contain only NSP-3 specific questions, whereas the grants are to be considered Community Development Block Grant (CDBG) funds. Therefore, Chapter 3, *Community Development Block Grant (CDBG) Entitlement, Small Cities, Non Entitlement CDBG Grants in Hawaii, and Insular Area Programs*; and Chapter 4, *State Community Development Block Grant (CDBG) Program*, and the NSP-1 Exhibits in this Chapter outline the NSP-specific requirements that are applicable to both programs and are to be used in conjunction with the NSP-3 specific Exhibit for monitoring purposes. Moreover, it is important to note that all of the cross-cutting requirements that are associated with the CDBG program are applicable to NSP and should be monitored accordingly (e.g., Exhibit 8-16, which covers the civil rights requirements for all NSP-1, NSP-2, and NSP-3 grants, and all chapters of this handbook referenced therein).

C. File Selection and Sampling. As described in Chapter 2, the risk analysis process will be used to determine which grantees and areas should be reviewed. The term “files” for compliance monitoring purposes, includes files from the grantee, the subgrantee, or a combination of both, as applicable. Once that process has been completed, where it is indicated that a file review is necessary to answer Exhibit questions, the HUD reviewer should consider the following factors when determining the specific files that will comprise the review sample:

1. Where feasible, initial file selection should be made using a random selection method.
2. The reviewer would consider adding more files to this selection in order to:
  - i. Include a file or files from each staff person working in the respective program area being monitored.
  - ii. Expand the sample, if possible, to include additional files with the same characteristics, if indicated by the severity or nature of any problems(s) noted during the review of the initial selection (for example, same problem category, same staff person, same activities or other characteristics).

This expanded sampling aids in determining whether problems are isolated events or represent a systemic problem.

3. The reviewer may also add files to the selection from any project that the HUD reviewer has reason to believe may have compliance problems or that is substantially different in terms of size, complexity, or other factors from other projects the NSP-3 grantee has undertaken.

8-7 MONITORING THE COMMUNITY DEVELOPMENT BLOCK GRANT RECOVERY PROGRAM (CDBG-R). This part of Chapter 8 provides guidance for monitoring the Community Development Block Grant Recovery Program (CDBG-R). It contains a single Exhibit, 8-18, for review of CDBG-R activities.

A. Program Overview. HUD awarded funds for CDBG-R on a formula basis, for the purpose of providing financial assistance for infrastructure improvements that meet the overall goals of the American Recovery and Reinvestment Act (“Recovery Act”) of 2009, which are to stimulate the economy through measures that modernize the nation’s infrastructure, improve energy efficiency, and expand educational opportunities and access to health care. HUD awarded CDBG-R funds through the approval of a Substantial Amendment to the 2008 Consolidated Annual Action Plan. The submission of the substantial amendment required grantees to design their program based on the aforementioned purposes of the Recovery Act. Moreover, the Recovery Act requires that CDBG-R follow the requirements of the “Buy American” provision, that is, any project that includes the construction, maintenance, or repair of a public building or public work must use iron, steel, and manufactured goods that are produced in the United States, unless an official waiver has been given.

Eligible grantees are entitlement communities, States, the non-entitlement counties of Hawaii, and the insular areas. Entitlement grantees may subgrant to non-profit organizations and State grantees will subgrant to units of general local government. (Note: For purposes of these monitoring Exhibits, term “Program Participant” means the direct recipient of the HUD award (Grantee) and the organization that is responsible for carrying out the proposed project activities.)

B. Preparing for Monitoring CDBG-R. The specific CDBG-R program areas or requirements to be monitored are determined as part of the risk assessment process (see additional guidance provided in Chapter 2 and Section 8-2 above). Before monitoring, the reviewer should be familiar with the CDBG-R requirements and the design and operation of the grantee’s program, particularly those areas that have been identified as high risk or are the focus of the monitoring. Information that will assist in successful CDBG-R monitoring includes:

- the authorizing legislation, Title XII of Division A of the American Recovery and Reinvestment Act of 2009 (“Recovery Act”);
- the “Notice of Program Requirements for Community Development Block Grant Program Funding Under the American Recovery and Reinvestment Act of 2009” (CDBG-R Notice);
- the “Requirements for Implementing Sections 1512, 1605, and 1606 of the American Recovery and Reinvestment Act of 2009 for Financial Assistance Awards” (“OMB Interim Guidance”);
- the “Buy American Exception Under the American Recovery and Reinvestment Act of 2009: Notice of National Exceptions of Section 1605 (Buy American Requirement) of the American Recovery and Reinvestment Act of 2009 Applicable to Community Planning and Development Recovery Act Funds” (CPD “Buy American” Waiver Notice);
- the “CPD Implementation Guidance for the Buy American Requirement of the American Recovery and Reinvestment Act of 2009 including the Exception Process” (NOTICE: CPD-09-05);
- the approved CDBG-R Substantial Amendment to the 2008 Consolidated Annual Action Plan;
- the grant agreement(s) for the project(s) being monitored;
- any HUD-approved waivers;
- the most recent Consolidated Action Performance and Evaluation Report (CAPER) or Performance Evaluation report (PER);
- Integrated Disbursement and Information System (IDIS) draw-down information; and

- other applicable chapters of this Handbook as the CDBG-R Exhibit contains CDBG-R specific questions, and the grants are to be considered Community Development Block Grant (CDBG) funds. Therefore, Chapter 3, *Community Development Block Grant (CDBG) Entitlement, Small Cities, Non Entitlement CDBG Grants in Hawaii, and Insular Area Programs*, and Chapter 4, *State Community Development Block Grant (CDBG) Program*, are to be used in conjunction with the CDBG-R exhibit for monitoring purposes.

C. File Selection and Sampling. As described in Chapter 2, the risk analysis process will be used to determine which grantees and areas should be reviewed. The term “files” for compliance monitoring purposes, includes files from the grantee, the subgrantee, or a combination of both, as applicable. Once that process has been completed, where it is indicated that a file review is necessary to answer Exhibit questions, the HUD reviewer should consider the following factors when determining the specific files that will comprise the review sample:

1. Where feasible, initial file selection should be made using a random selection method.
2. The reviewer would consider adding more files to this selection in order to:
  - i. Include a file or files from each staff person working in the respective program area being monitored.
  - ii. Expand the sample, if possible, to include additional files with the same characteristics, if indicated by the severity or nature of any problems(s) noted during the review of the initial selection (for example, same problem category, same staff person, same activities or other characteristics).

This expanded sampling aids in determining whether problems are isolated events or represent a systemic problem.

3. The reviewer may also add files to the selection from any project that the HUD reviewer has reason to believe may have compliance problems or that is substantially different in terms of size, complexity, or other factors from other projects the CDBG-R grantee has undertaken.