**CHAPTER 28**

**EMERGENCY SOLUTIONS GRANTS (ESG) PROGRAM**

28-1 APPLICABILITY. This Chapter provides guidance for monitoring compliance with the Emergency Solutions Grants (ESG) Program regulations at 24 CFR part 576. Part 576 generally incorporates the uniform administrative requirements, cost principles, and audit requirements, which were recently revised and codified at 2 CFR part 200. This Chapter contains (or incorporates) both questions to monitor compliance with 2 CFR part 200 and questions to monitor compliance with the former uniform administrative requirements, cost principles, and audit requirements (i.e., 24 CFR parts 84 and 85 (2013), 2 CFR 225 and 230 (2013), OMB Circular A-133). For HUD guidance on monitoring for compliance with the uniform administrative requirements, cost principles, and audit requirements during the period of transition to 2 CFR part 200, please see HUD’s April 13, 2016, Notice CPD-16-04 **(**<http://portal.hud.gov/hudportal/documents/huddoc?id=16-04cpdn.pdf>).

Where ESG funds were used for rental assistance or services, the DOH reviewer MUST complete the applicable Exhibits in Chapter 24 of this Handbook, *Lead-Based Paint Compliance*. NOTE: See Exhibit 24-2 (Services), Exhibit 24-3 (Tenant-Based Rental Assistance), or Exhibit 24-4 (Project-Based Rental Assistance).

The Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act revised the Emergency Shelter Grants program and renamed it the Emergency Solutions Grants (ESG) program. The HEARTH Act broadened the emergency shelter and homelessness prevention activities of the Emergency Solutions Grants program beyond those of its predecessor program, the Emergency Shelter Grants program, and added short- and medium-term rental assistance and services to rapidly re-house persons experiencing homelessness. The change in the program’s name reflects the change in the program’s focus from addressing the needs of homeless people in emergency or transitional shelters to assisting people to quickly regain stability in permanent housing after experiencing a housing crisis or becoming homeless.

The ESG program awards funds, on a formula basis, to state governments, metropolitan cities, urban counties, and U.S. territories for five components, plus Administrative activities: Street Outreach, Emergency Shelter, Rapid Re-housing, Homelessness Prevention, and Homeless Management Information System (HMIS). ESG funds are available for the following purposes: (1) engage homeless individuals and families living on the street; (2) improve the number and quality of emergency shelters for homeless individuals and families; (3) help operate these shelters; (4) provide essential services to shelter residents, (5) rapidly re-house homeless individuals and families, and (6) prevent families/individuals from becoming homeless.

Territories and local governments that receive ESG funds may carry out the program directly and/or subgrant all or part of their ESG funds to private nonprofit organizations to carry out eligible program activities. States receiving ESG funds must subgrant all of the ESG funds they receive, except for their allowable portion of the grant for administration costs (states must share some of the 7.5 percent allotment for administrative costs with their subrecipients that are local governments), and HMIS costs if the recipient is the HMIS Lead, to units of general purpose local government and/or private nonprofit organizations to carry out the program.

28-2 PREPARING FOR MONITORING. The specific ESG program areas or requirements to be monitored are determined as part of the risk analysis process (see additional guidance provided in Chapter 2). Before monitoring, the DOH reviewer should be familiar with both the ESG program requirements and the design and operation of the participant’s ESG program, particularly any areas that have been identified as high-risk or that are the subject of the monitoring. Whether monitoring on-site or assembling materials for a remote monitoring, reviewers will need specific items to successfully monitor a participant’s ESG Program. Information that will assist in ESG Program monitoring includes:

* the authorizing legislation, Title IV, Subtitle B of the McKinney-Vento Homeless Assistance Act of 1987, as amended (42 U.S.C. 11371 et seq);
* the ESG rule at [24 CFR part 576](http://www.hud.gov/offices/cpd/homeless/rulesandregs/regulations/576esg/index.cfm), as amended by 76 FR 75974 (Dec. 5, 2011) and 80 FR 75939 (Dec. 7, 2015);
* the most recent approved Consolidated Plan Annual Action Plan**;**
* the grant agreement and any amendment(s) to the grant agreement, and any subrecipient agreements and/or procurement contracts;
* any HUD-approved ESG waivers;
* Integrated Disbursement and Information System (IDIS) draw information and reports; and
* the latest Consolidated Annual Performance and Evaluation Report (CAPER).

28-3 FILE SELECTION AND SAMPLING. As described in Chapter 2, the risk analysis process will be used to determine which ESG recipients and areas should be reviewed. Once that process has been completed, where it is indicated that a file review is necessary to answer Exhibit questions, the DOH 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.

1. 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;

* 1. 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 initial selection’s review (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.

C. The DOH reviewer may also add files to the selection from any project that the DOH 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 recipient has funded.