Housing Emergency Solutions Program (HESP)

2026 Compliance Guide

Updated October 28, 2026

Disclaimer:

Program elements outlined below are subject to change at the sole discretion of MHDC.

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INTRODUCTION

Purpose

To ensure accurate spending of the Housing Emergency Solutions Program (HESP), prevent fraud and abuse, and to identify technical assistance needs, MHDC staff will monitor grantees program compliance. Grantees become eligible for an audit once they have submitted at least 25% of approvable expenses, ensuring they are in compliance with MHDC and HUD regulations. These reviews may be conducted in person as a site visit or virtually as a desk audit. In both instances, grantees will be required to provide the requested documentation to MHDC in a timely manner.

Typically, site visits are scheduled at least one week in advance. However, MHDC staff members reserve the right to conduct unannounced site visits at the grantee's agency location during the hours of operation provided by the grantee. Unannounced site visits are conducted based on certain factors, including but not limited to the agency's prior history or the outcome of a previously conducted audit. This guide provides instructions on what the compliance process entails and how to ensure your organization is prepared for a compliance review at all times.

For additional guidance, trainings and program materials please visit:
https://mhdc.com/programs/hud-programs/housing-emergency-solutions-program/

Compliance Update

Per the September 21, 2026,court ruling, HUD's November 26, 2025, notice regarding PRWORA has been vacated. This includes verification of legal status for direct financial benefits for Emergency Shelter, Street Outreach and Rapid Rehousing recipients.

Effective September 21, 2026, HESP Grantees are no longer required to verify citizenship via the SAVE database. Additionally Grantees must discontinue use of the HESP-225 Consent and Homelessness Citizenship Certification and reinstate use of the MHDC-114 Consent and Homelessness Certification. Completion of the HESP-226 is still required for all household members over the age of 18 receiving direct financial assistance under Homelessness Prevention.

Please note that future rulemaking processes and litigation could impact the guidance above. Grantees will be notified by MHDC of any changes to program requirements

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REVIEWABLE MATERIALS

During a compliance review, MHDC will request that grantees provide the following supporting documentation:

Financial Documentation

MHDC may request supporting documentation for any expenses listed on the HESP-212 that were submitted with an approved payment request. Supporting documentation consists of proof of need and proof of payment.

Proof of Need

Proof of need must show that the cost was incurred prior to the reimbursement request and within the eligible grant period. In general, proof of need for bills paid, services performed, or materials purchased must be supported by an invoice, receipt, and/or lease issued by the vendor. Invoices or receipts created by the grantee, or by a third party not involved in the transaction, do not qualify as proof of need. Additionally, reimbursements to employees for goods/supplies purchased require prior authorization by MHDC.

Proof of Payment

Proof of payment must show that the cost was paid prior to the reimbursement request and within the eligible grant period. In general, proof of payment for bills paid, services performed, or materials purchased should be documented with cleared checks or bank statements with the specific payment highlighted. As with proof of need, proof of payment must always come from a third-party source.

Required Documentation – Non-Direct Assistance Expenses

The following categories outline the required documentation that must be retained for every expense billed to HESP that is NOT a rental assistance or financial assistance payment made on behalf of a program participant.

Indirect Cost

If billing indirect costs to HESP grant, grantees must provide MHDC with the selected Indirect Cost Rate option to be utilized during the grant term with the grant agreement. The selected method for allocating indirect costs must comply with 2 CFR 200. Documentation of the cost allocation plan should include the following:

- How the grantee will determine costs as direct and indirect,
- How the grantee will allocate shared costs among different programs, and
- How the grantee will charge eligible and allowable direct and indirect costs.

Shelter Food, Furniture, and Supplies

Equipment and supplies necessary for the operation of an emergency shelter are eligible under the Emergency Shelter component. These items must be used exclusively for Emergency Shelter services. Supporting documentation consists of proof of need and proof of payment.

Proof of Need

- Invoice/Receipt

Proof of Payment

- Cleared checks or bank statement with HESP payments highlighted

Supplies, Equipment, and Food from Well-Known Retail Chains

Many retail chains show both the incurred expense and payment information on their receipts. These receipts can count as proof of need and proof of payment if the following criteria are met:

- The receipt is itemized,
- The receipt shows the form of payment, information about the payment method (i.e., last 4 digits of the card number), and the date and time of purchase, and
- The receipt is from a well-known retail chain who has a recognizable receipt.

Rent for Grantee's Building

Proof of need for the rent of a grantee's building should be a legally binding lease. If the entire building is not being used for eligible purposes under the same component, then grantees must also include a calculation showing that the portion of the rent being billed under each component is proportional to the amount of square footage that is being used for eligible purposes under the component. Supporting documentation consists of proof of need and proof of payment.

Proof of Need

- Invoice/Receipt
    - Calculation of rent vs square footage if applicable

Proof of Payment

- Cleared checks or bank statement with HESP payments highlighted

Utilities for Grantee's Building

Proof of need for the utilities of a grantee's building must include a legally binding lease (if the utility amounts are clearly stated in the lease) or invoices from the utility companies for each billing period that is being billed to the HESP grant. If the entire building is not used for eligible purposes under the same component, then the grantee must also include a calculation demonstrating that the portion of utilities being billed under each component is proportional to actual utility usage or to the square footage used for eligible purposes under that component. Late fees are not an eligible expense. Supporting documentation consists of proof of need and proof of payment.

Proof of Need

- A legally binding lease if utility amounts are clearly stated in the lease OR utility invoices for every billing period charged to the grant.
    - A calculation showing the proportion of utilities billed to each component when the entire building is not used for eligible purposes (based on actual usage or eligible square footage).

Proof of Payment

- Cleared checks or bank statement with HESP payments highlighted.

Minor or Routine Maintenance

In general, maintenance activities include cleaning; minor or routine repairs of furnishings, equipment, and fixtures; and protective or preventative measures to keep a building, its systems, and its grounds in working order. If the grantee is replacing appliances or portions of the structure, they must have both written and photographic documentation on how it was unsafe, unusable, and/or more expensive to repair and continue using than to replace. If the replacement is not completed by a contractor, then the written memo documenting the damage and explanation for why replacing it is more cost-efficient than repairs should come from a qualified employee at your agency. Supporting documentation consists of proof of need and proof of payment.

Proof of Need

- Invoice/Receipt
    - Written and/or photographic documentation if applicable

Proof of Payment

- Cleared checks or bank statement with HESP payments highlighted

Travel Costs

Transportation expenses can only be billed to the HESP grant with the federal mileage reimbursement rate. MHDC will not reimburse agencies for fuel used by vehicles. Proof of need for transportation can be in the form of travel logs with the date, mileage, and purpose of travel for every day that mileage was incurred per vehicle. This should be accompanied by a calculation showing the number of eligible miles multiplied by the Federal mileage reimbursement rate. Proof of payment is not required unless the grantee is reimbursing employees for mileage related to HESP activities.

Proof of Need

- Travel logs which include date(s) of travel, destinations with, mileage, date, staff members involved, and purpose of travel.

Proof of Payment

- If reimbursing employee(s), documentation showing proof of payment to employee(s) is required.
- If reimbursing the agency, proof of payment is not needed.

Employee Compensation – Salaries and Benefits

MHDC has developed the *HESP-220 Program Staff Timesheet* for grantees to use in order to meet the below required documentation standards. If the grantee has a payroll or time-tracking system that captures all required elements, then the grantee may use the time sheets from that system. If the grantee does not have a payroll or time-tracking system capable of showing all required elements, then the grantee must either use MHDC's timesheet or an equivalent version. Proof of need for employee compensation should also be documented with paystubs. Although paystubs are preferred, payroll sheets from a third-party are also acceptable as proof of need.

Proof of Need

- Timesheets signed by supervisor and employee detailing eligible HESP activities,
- Breakdown of hours worked per day under each eligible expense type that may be billed to the HESP grant,
- A calculation showing the maximum amount of their salary (and benefits if applicable) that can be billed to the HESP grant for that pay period,
- Signatures from both the staff and their supervisor certifying the authenticity of the timesheet, and
- Paystub or payroll report from a third-party listing the pay periods, employee's name, and last four digits of SSN.

Proof of Payment

- Cleared checks or bank statement with HESP payments highlighted.

Required Documentation – Direct Assistance Payments

Homelessness Prevention and Rapid Rehousing

Any rental assistance or financial assistance payment made on behalf of a Rapid Rehousing or Homelessness Prevention program participant is considered a Direct Assistance Payment.

Proof of Payment for Direct Assistance must be documented in BOTH client files AND with the other financial documentation for expenses listed on each submitted HESP-212 Expense Detail Form.

Updates to Minimum Shelter and Permanent Housing Standards

Effective October 1, 2026, HUD has adopted NSPIRE inspection standards. MHDC is awaiting program-specific implementation guidance and will notify grantees accordingly when resources become available. Please note that current standards are subject to change.

Hotel/Motel Vouchers

Proof of need should be an invoice from the vendor showing the charges, nights stayed, and either the client ID or room number so that it can be linked to the client file and/or room number in the detail description on the HESP-212. If multiple nights or rooms are billed on the same invoice, the invoice should be broken out by room with an additional summary page showing the total expense. Supporting documentation consists of proof of need and proof of payment.

Proof of Need

- Invoice/Receipt

Proof of Payment

- Cleared checks or bank statement with HESP payments highlighted

Moving Costs & Rental Application Fees

Paying for moving costs, such as truck rental or hiring a moving company are eligible. Paying for the rental housing application fee that is charged by the owner to all applicants is also an eligible expense. Supporting documentation consists of proof of need and proof of payment.

Proof of Need

- Invoice/Receipt

Proof of Payment

- Cleared checks or bank statement with HESP payments highlighted

Utility Deposits, Payments and Arrears

Grantees may pay standard utility deposits, utility assistance, and up to 6 months of utility arrears for eligible program participants. Utility assistance payments cannot exceed 24 months

combined per program participant. Supporting documentation consists of proof of need and proof of payment.

Proof of Need

- Copy of utility bill

Proof of Payment

- Cleared checks or bank statement with HESP payments highlighted

Security Deposit & Last Month's Rent

Paying for a standard security deposit required by the landlord for a client is an eligible expense. Security deposit payments cannot exceed more than 2 months of rent and may only be paid once habitability standards have been verified (via HESP-205). If necessary to obtain housing, grantees may provide last month's rent (not to exceed 1 month's rent), at the time the owner is paid the security deposit and first month's rent. Supporting documentation consists of proof of need and proof of payment.

Proof of Need

- Copy of lease agreement

Proof of Payment

- Cleared checks or bank statement with HESP payments highlighted

Rental Assistance

Direct rental assistance payments made to housing owners, landlords, and other third parties on behalf of a tenant are eligible expenses. Supporting documentation consists of proof of need and proof of payment.

Proof of Need

- Copy of Lease agreement

Proof of Payment

- Cleared checks or bank statement with HESP payments highlighted

Rental Arrears

A one-time payment of up to six months rental arrears, including late fees on behalf of a tenant is an eligible expense. Supporting documentation consists of proof of need and proof of payment.

Proof of Need

- Copy of ledger or eviction notice from landlord showing months of assistance included in arrears (maximum 6 months).
- Copy of lease agreement.

Proof of Payment

- Cleared checks or bank statement with HESP payments highlighted.

Required Documentation – Match Verification

Per 24 CFR 576.201, grantees must match their total HESP grant award using documented non-McKinney resources with the HESP-210 Match Certification Form at grant close-out. At the time of the compliance visit, MHDC will select match items for review. Grantees must provide supporting documentation (proof of need/cleared payment) for each selected item for review. For more information on Match requirements, please reference the HESP 2026 Desk Guide.

CLIENT FILES

MHDC may request the full client file associated with any client ID number listed on any HMIS/Comparable Database report that was submitted with an approved payment request. However, MHDC generally does not audit children's files.

When reviewing a client file MHDC will verify the following items are included:

- Proof of payment and proof of need for all direct expenses billed to HESP
- Client eligibility was accurately assessed, fully documented and appropriately verified
- All required forms are present and properly completed
- All necessary supporting documentation is included in the file
- All re-evaluations are completed correctly and include the required forms and documentation
- Any case management notes

Emergency Shelter Client Files – Required Forms

- MHDC – 114 Consent and Homeless Certification *(for each household member 18 years or older.)*
- HMIS/Comparable Database Consent Form
- Agency Intake Form
- Case Notes

Street Outreach Client Files – Required Forms

- MHDC – 114 Consent and Homeless Certification *(for each household member 18 years or older.)*
- HMIS/Comparable Database Consent Form
- Agency Intake Form
- Case Notes

Homelessness Prevention Client Files – Required Forms

- MHDC – 114 Consent and Homeless Certification *(for each household member 18 years or older.)*
- HESP-226 Citizenship Declaration Form *(for each household member 18 years or older).*

    - Required for Homelessness Prevention participants 18 years or older, who are receiving direct financial assistance.
- Agency Intake Form
- Case Notes
- HMIS/Comparable Database Consent Form
- Photo Identification or MHDC-110 if DV
- Social Security Identification or MHDC-110 if DV
- HESP-201 Income Eligibility Worksheet
- Third-Party Documents that Verify Gross Annual Income (i.e., 30 days of Paystubs, SSI/SSDI Award Letter, etc.).
- MHDC-112 Verification of Income [REQUIRED, IF]
    - Third-party income documentation is unobtainable, this form must be completed. Must document attempts to obtain source documentation in client file notes.
- MHDC-103 Self-Declaration of Income [REQUIRED, IF]
    - MHDC-112 Verification of Income is unobtainable OR the participant has no income, MHDC-103 Self-Declaration of Income must be completed.

Additional Required Forms for Financial and/or Rental Assistance Clients:

- HESP-204 Receipt of Assistance
- HESP-205 Habitability Standards Checklist
- HESP-206 Rent Reasonableness and Fair Market Rent Certification
- HESP-207 Lead Screening Worksheet
- HESP-208 Property Owner Lead Certification Form [REQUIRED, IF]
    - The unit requires and fails a visual assessment (Part 3 of the HESP-207 Lead Screening Worksheet), HESP-208 Property Owner Lead Certification Form must be completed.
- HESP Rental Assistance Agreement
- Proof of Need: Utility bill, OR ledger (if paying rental arrears), eviction notice (if being evicted), and lease
- Proof of Payment: Cleared checks or bank statement with HESP payments highlighted
- Lease
- VAWA Lease Addendum

Rapid Rehousing Client Files – Required Forms

- MHDC – 114 Consent and Homeless Certification *(for each household member 18 years or older.)*
- HMIS/Comparable Database Consent Form
- Agency Intake Form
- Case Notes
- Photo Identification or MHDC-110 if DV

- Social Security Identification or MHDC-110 if DV

Additional Required Forms for Financial and/or Rental Assistance Clients:

- HESP-204 Receipt of Assistance
- HESP-205 Habitability Standards Checklist
- HESP-206 Rent Reasonableness and Fair Market Rent Certification
- HESP-207 Lead Screening Worksheet
- HESP-208 Property Owner Lead Certification Form [REQUIRED, IF]
    - The unit requires and fails a visual assessment (Part 3 of the HESP-207 Lead Screening Worksheet), HESP-208 Property Owner Lead Certification Form must be completed.
- HESP Rental Assistance Agreement
- Proof of Need: Utility bill, OR ledger (if paying rental arrears), eviction notice (if being evicted), and lease
- Proof of Payment: Cleared checks or bank statement with HESP payments highlighted
- Lease
- VAWA Lease Addendum

Client Recertification – Required Forms

The following items are required every time a program participant is re-evaluated for eligibility. This must be conducted every three (3) months for Homelessness Prevention clients and every twelve (12) months for Rapid Rehousing clients.

- HESP-209 Recertification Form
- HESP-201 Income Eligibility Worksheet
- Third-Party Documents that Verify Gross Annual Income (i.e., 30 days of Paystubs, SSI/SSDI Award Letter, etc.).
- MHDC-112 Verification of Income [REQUIRED, IF]
    - Third-party income documentation is unobtainable, this form must be completed. Must document attempts to obtain source documentation in client file notes.
- MHDC-103 Self-Declaration of Income [REQUIRED, IF]
    - MHDC-112 Verification of Income is unobtainable OR the participant has no income, MHDC-103 Self-Declaration of Income must be completed.

Indirect Cost Rate Usage – Required Documentation

If grantee indicated in their HESP-26 application they plan to use an Indirect Cost rate to bill Administration expenses, then the following documentation is required to be retained:

Cost Allocation Plan:

- View options 1, 2, or 3 from HUD's Indirect Cost Toolkit
- Policy showing adoption of indirect rate methodology
- Documentation of Indirect rate billing

CLIENT FILE FORMS

Please check MHDC's website for the most up-to-date and accurate forms. All forms can be found at: https://mhdc.com/programs/hud-programs/housing-emergency-solutions-program/.

Income Eligibility Worksheet (HESP-201)

Applicable Components: Homelessness Prevention, Rapid Rehousing
Required: Yes

Description:

This form is intended to be used to verify income eligibility for HESP Rapid Rehousing or Homelessness Prevention.

Due Date:

Income eligibility must be certified at initial intake for Homelessness Prevention and recertified every 90 days thereafter. For Rapid Rehousing participants, income eligibility does not need to be certified at intake but must be recertified after one year of HESP assistance, and at least once annually thereafter. At each income eligibility certification, proof of income must be current within 30 days.

Completion Instructions:

Collect Supporting Documentation of Income:

Service providers should collect and include the supporting documentation of all household income to be referred to when completing this form (i.e., check stubs, SSI/SSDI award letter/printout, child support statement, EBT statement, etc.). This form is best filled out in Excel to ensure proper income calculations. If supporting documentation cannot be provided by client, please utilize Income Verification form (MHDC-112).

Household Members:

Complete Household information for all members of the household. The "Total Household Members" will automatically calculate depending on the number of persons listed in this section. The number of members in the household is important in determining the correct AMI; therefore, it is very important that all members of the household are included in that section.

30 percent of Area Median Income (AMI) for Household Size:

List the current 30 percent of area median income amount applicable to the county where the household is sheltered or housed. These income limits are available on HUD's website here.

Sources of Income:

In this section there are the various sources of income that may be applicable to the household. Income will need to be detailed for all members 18 and older. The current gross income amount, frequency of pay, and number of payments per year need to be listed to calculate the annual gross income. All amounts detailed will total in the "Total Annual Gross Income from all Sources" field.

Determination of Income Eligibility:

The service provider can then compare the "Total Annual Gross Income from all Sources" to the

"30% AMI for Household Size" for the county of service to determine if household meets income eligibility requirements.

Submission/Retention:

Retained in client file for every certification and recertification.

Employer Verification Worksheet (MHDC-112)

Applicable Components: Homelessness Prevention, Rapid Rehousing
Required: Yes, if client has income but cannot provide documentation of income

Description:

This form is intended to be completed by an employee/supervisor of the place of employment or payment source representative to verify the individual's income.

Due Date:

- **Homelessness Prevention:** Due upon initial intake, with rectification required every 90 days thereafter.
- **Rapid Rehousing:** Due after 12 months of HESP assistance, with recertification annually thereafter.

Completion Instructions:

Grantee will complete the top section of the form detailing where the form should be returned. The individual seeking assistance will sign and date the form authorizing the employer or payment source representative to release the individual's income information. The grantee will collect the information from the employer to ensure a third-party verification.

Submission Instructions:

Retained in client file

Self-Declaration of Income (MHDC-103)

Applicable Components: Homelessness Prevention, Rapid Rehousing
Required: Yes, All members of household without income, 18 and over.

Description:

A Self-Declaration of Income form must be completed and signed by all recipients of the household, age 18 and over, that do not have income.

Due Date:

- **Homelessness Prevention:** Due upon initial intake, with rectification required every 90 days thereafter.
- **Rapid Rehousing:** Due after 12 months of HESP assistance, with recertification annually thereafter.

At each income eligibility certification, proof of income must be current within 30 days.

Completion Instructions:

All members of household without income, 18 and over must sign a Self-Declaration of Income stating they have zero income. The date of the form must be within 30 days of the instance of assistance.

Submission Instructions:

Retained in client file

Consent and Homeless Certification (MHDC-114)

Applicable Components: Emergency Shelter, Homelessness Prevention, Rapid Rehousing, Street Outreach
Required: Yes

Description:

This form must be used to verify homelessness status and confirm that program participants consent to MHDC and other appropriate parties to access necessary client information for compliance purposes.

Completion Instructions:

Describe Current Housing Status

Grantee staff will work with program participants to select ONE box for which the defined category best fits the participant's housing status prior to arriving at the shelter. The grantee staff will then work with the program participants to write a detailed description of the participant's current housing situation before entering the grantee's program in the Housing Status Description. See the HESP Desk Guide Definitions section for precise details for HUD's definition of Homelessness and At Risk of Homelessness.

Collect Homeless Status Verification Documentation

Grantees must attempt to gather documentation for the program participants housing status in the order of HUD's preferred method of housing status verification as described in the Documenting Homeless Status portion of the HESP Desk Guide (third-party verification is preferred). Grantees will then select ONE box for the category of documentation that was gathered. It is important to include supporting documentation if third-party verified. If a lower priority form of evidence is used, the grantee must include an explanation of why higher priority forms of evidence were unobtainable and what reasonable attempts were made to acquire those forms of verification. A description of how the participants' housing status was verified MUST be written in the Housing Status Verification box.

Grantee Staff Signature

The grantee staff completing this form with the program participant must sign this form certifying the participant's eligibility with HESP requirements.

Program Participant Signature

In addition to verifying the program participant's homeless status, the MHDC-114 also serves as a consent form for allowing MHDC staff to have access to client information. Program

participants must sign the form certifying that the information they provided was accurate and to provide their consent to MHDC. If a program participant is eligible under Category 4, then their initials and unique identifier are needed to allow MHDC to review non-identifying information in their client files.

Submission Instructions:

Retained in client file

HESP-226 Citizenship Declaration

Applicable Components: Homelessness Prevention
Required: Yes, for all household members 18+ when direct financial assistance is received

Description:

This form must be completed by each client 18 years of age or older who is receiving direct financial assistance.

Submission Instructions:

Retained in client file

Certification of Receipt of HESP Assistance (HESP-204)

Applicable Components: Homeless Prevention, Rapid Rehousing
Required: Yes

Description:

Grantee must verify the eligibility of HESP program participant by ensuring that the maximum timeline for services and assistance has not been exceeded. All participants must verify that they have not exceeded 24 months of assistance in any 3-year period. Grantees should check databases to ensure 24 months in a 3-year period is not exceeded.

Submission Instructions:

Retained in client file

Habitability Standards Checklist (HESP-205)

Applicable Components: Homeless Prevention, Rapid Rehousing
Required: Yes, for any shelter/housing assisted with HESP funds.

Description:

Shelters should verify that all standards listed on HESP-205 are met annually. This form must be available for review during MHDC compliance review. Grantees using HESP funds for Homelessness Prevention or Rapid Rehousing must conduct inspections of housing units to ensure they meet standards detailed on HESP-205 Minimum Standards for Permanent Housing.

Submission Instructions:

Retained in client file

Rent Reasonableness and Fair Market Rent Certification (HESP-206)

Applicable Components: Homeless Prevention- Rental Assistance, Rapid Rehousing- Rental Assistance
Required: Yes

Description:

Rent for units assisted with HESP must not exceed the lesser of the rent reasonableness standard (24 CFR 982.507) or Fair Market Rent (FMR) limits.

Completion Instructions:

Compare to Three Other Units

When assisting a participant in a housing search the rental units must be reasonably priced and in reasonable condition when compared to three other rental units with the same number of bedrooms and similar size, type, and amenities within the community. Rent must also be at or below the HUD established Fair Market Rent for the household composition and unit size in the area.

Utilize Local Public Housing Authority Utility Allowances

When determining a unit's compliance with rent reasonableness and FMR, all utilities paid for by the resident must be included in the total rental cost. This includes any utilities with fixed rates that are documented in the lease and utilities that are paid based on usage. For utilities paid on a usage-basis, a utility allowance should be calculated using the utility allowance schedule for the county the unit is in from a local Public Housing Authority (PHA). Utility allowance schedules can typically be located by visiting your local PHA's website.

Document Comparison Units

The HESP-206 should be accompanied by documentation showing the required bedroom information, including tenant paid utilities, and current rent, for each comparable unit. This can be a printout from a real estate website like Zillow or Apartments.com.

Confirm Household Size Eligibility

	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
Minimum	1 person	2 people	3 people	4 people
Maximum	2 people	3 people	4 people	6 people

Rent reasonableness and FMR compliance should be based on both the number of bedrooms of the unit and the size of the household. The table above shows the minimum and maximum number of people that are eligible to be housed in units of different sizes. If the number of bedrooms for the proposed unit exceeds the household size, then the other comparable units for Rent Reasonableness must have the FMR rate and must be for the number of bedrooms of the reasonable household size.

If there are no units available in the community that are both under FMR and rent reasonableness for the program participant's household size, grantees can request a household composition exemption from MHDC prior to placing the participant in housing. This exemption

would allow the grantee to put the participant's household in a unit that exceeds their household size. Grantees should email the HESP Administrator at cp.programs@MHDC.com to request a household size exemption. If granted exemption, the unit still must be both under FMR and rent reasonableness for the bedroom size.

Submission Instructions:

Retained in client file

Lead Screening Worksheet (HESP-207)

Applicable Components: Homeless Prevention, Rapid Rehousing
Required: Yes, 24 CFR 576.403(a)

Description:

To prevent lead-poisoning in young children, HESP grantees must comply with the Lead-Based Paint Poisoning Prevention Act of 1973 and its applicable regulations found at 24 CFR 35, Parts A, B, M, and R. Housing occupied by program participants must be visually inspected for lead-based paint.

Completion Instructions:

If the rental property was constructed after 1978 and/or if no children under the age of six will be living in the unit occupied by the household receiving HESP assistance, a visual assessment of the unit is not required. However, homes built prior to 1978 with children occupying the units require visual inspection from the grantee prior to signing the lease. This screening form will help grantee staff determine whether a unit is subject to a visual assessment, and if so, how to proceed. A copy of the completed worksheet along with any related documentation should be kept in each grantee or program participant's file.

ALL pre-1978 properties are subject to the disclosure requirements outlined in 24 CFR 35, Part A, regardless of whether they are exempt from the visual assessment requirements.

Submission Instructions:

Retained in client file

Property Owner Lead Certification Form (HESP-208)

Applicable Components: Homeless Prevention, Rapid Rehousing
Required: Yes, if visual assessment reveals problems with paint surfaces. HESP assistance cannot be provided to a unit with paint surface issues unless issues are fixed as certified by this form.

Description:

To be completed by property owners/managers to certify that paint surfaces have been repaired in accordance with the guidelines of 24 CFR 35, Parts A, B, M, and R

Submission Instructions:

Retained in client file

Recertification Form (HESP-209)

Applicable Components: Homeless Prevention, Rapid Rehousing
Required: Yes

Description:

Recertification form documents an individual or family's eligibility factors for continued HESP assistance and tracks the assistance provided to date. Applicants for Homeless Prevention must be evaluated for eligibility at initial intake and every 90 days. Rapid Rehousing program participants must be evaluated after one year of HESP assistance and at least once annually thereafter.

Submission Instructions:

Retained in client file

VAWA Lease Addendum

Applicable Components: Homeless Prevention, Rapid Rehousing
Required: Yes

Description:

In accordance with 24 CFR 5.2005(a)(4) every program participant receiving rental assistance must have this addendum included in their lease.

Submission Instructions:

Retained in client file

HMIS/Comparable Database Consent Form

Applicable Components: All, every client entered into HMIS or a comparable database under all components are required to complete a HMIS/Comparable Database Consent Form.
Required: Yes

Description:

- If using HMIS, consent form must be from the HMIS Lead Agency to enter and share participant's information via HMIS.
- If using a Comparable Database, consent form must be from the Comparable Database provider to enter and share participant's information.

Submission Instructions:

Retained in client file

Agency Intake Form

Applicable Components: All
Required: Yes

Description:

- Agency Intake Form is used to collect information to determine:
    - Participant's eligibility for HESP activities
    - That the participant has no appropriate subsequent housing options

    - That the participant lacks sufficient resources and support networks to obtain/retain housing
- Must be in accordance with the local CoC's coordinated entry process

Submission Instructions:

Retained in client file

Case Notes

Applicable Components: All
Required: Yes

Description:

Dated case notes detailing housing goals, plans, and referrals.

Submission Instructions:

Retained in client file

SITE VISIT PROCESS

The purpose of the site visit is to ensure agency compliance with the terms of the Grant Agreement and HUD regulations that are in place for the Housing Emergency Solutions Program (HESP). During a site visit MHDC staff will review expenses billed to HESP that have already been reimbursed, once the agency has submitted at least 25% of the approvable expenses.

Scheduling

In the event of a site visit, MHDC staff will contact all three of the grantee's main contacts from the Site Contact form at least one week in advance via email proposing the date and time of the visit. MHDC will also confirm the address that the visit will take place at and confirm the addresses of any Emergency Shelters funded by HESP as those will be inspected during the visit. If MHDC staff is unsuccessful in scheduling a site visit after three attempts have been made, the grantee will be notified that they have 15 days to schedule a site visit, otherwise their funding will be suspended, the grantee will be considered out of compliance, and no funds will be released until the visit is scheduled. However, MHDC staff members reserve the right to conduct unannounced site visits at the grantee's agency location(s) and within the hours of operation provided by the grantee. Unannounced site visits are conducted based on certain factors, including but not limited to, the agency's prior history or the outcome of a previously conducted audit.

Day of the Visit

Upon the day of the visit the grantee should have a space prepared for MHDC staff to set up for the review. This ideally would be a private space like a conference room, but at minimum there must be a full table available with electrical outlet access nearby. There should be a primary

point of contact made available to MHDC staff if any questions arise during the review, but no grantee staff are required to stay in the room while the review is conducted.

The MHDC Staff member will immediately provide the grantee staff with highlighted copies of the HESP-212 forms from approved payment requested, and a list of client IDs pulled from the submitted HMIS/Comparable Database reports. The highlighted lines indicate which reimbursed expenses require supporting documentation, including proof of need and proof of payment. The client ID's provided indicate which case files must be pulled for review. It is expected that grantees be prepared for the site visit (if scheduled). Grantees will have 15 minutes from the time this list is provided to begin providing documents related to the HESP-212 and client files to the MHDC staff present.

Depending on the size of the grantee's total award and the number of individual items requested for reimbursement, the review may take the entire day. It is important to have all staff who work on the HESP program available in case specific questions arise relating to any part of the program. These staff members can go about their normal workday but having them on site the day of review is best practice.

Emergency Shelter Physical Inspection (If applicable)

Any space for which the grantee has billed Emergency Shelter expenses, or is used as such, must undergo a habitability review conducted by MHDC staff during a site visit. This will include shelters and housing funded by HESP. MHDC staff will inspect the building exterior, building systems, parking lots/driveways, playground, lawn, sleeping rooms, and any common areas on the property.

If any physical findings are made, the grantee will be notified in the email report of the finding(s) and given 30 days to complete the repair/replacement.

The resulting compliance status will be determined by the Community Programs Supervisor on a case-by-case basis.

- An email will be sent after the visit and will include details regarding any major health and safety items found during the inspection, as well as corrective action steps that will be required of the grantee and the deadline timeframe for these actions to be completed.
- If there are other items noted for correction that are not major health and safety issues, the grantee will be notified that a corrective action plan will be required within 30 days of the notification.
- Any physical findings that require repairs to be made must be documented with a photo and invoice/work order showing completion.
- If the grantee is unable to complete the repair within that timeframe, (i.e., weather-related delay or excessive financial burden) an extension may be granted with approval from the Community Programs Supervisor.

Exit Interview

At the conclusion of the site visit, MHDC staff will discuss any findings or areas of improvement noted during the site visit with agency staff present. The grantee will then be given the opportunity to discuss any findings as well as answer any other questions and concerns found during the site visit. Following the conclusion of the site visit, the grantee will receive an exit interview email outlining any areas of improvement or findings noted during the site visit. This email will provide the grantee with an opportunity to submit any missing documentation, though no corrections should be made, and to address any additional questions or concerns identified during the review. A formal compliance report will be prepared and sent to the agency within 30 days of the exit interview. The report will be sent to the agency contact listed in the site contact form on file with MHDC.

Compliance Report

Regardless of the outcome of the site visit, all grantees will receive a compliance report once the audit and exit interview are completed. A written response is not required unless otherwise noted by MHDC in the compliance report. MHDC requires any agency found out of compliance to submit a Corrective Action Plan (CAP). A CAP may also be required at the discretion of MHDC based on items identified during the audit.

The CAP should be a formal written response addressing each of the areas of improvement and/or findings and must be submitted to MHDC within 30 days of receiving the compliance report. The CAP must describe the corrective action the agency will take to resolve the concerns noted in the compliance report and a targeted date for completion. Funds will not be released to any grantee found out of compliance until a CAP is submitted and approved by MHDC.

DESK AUDIT PROCESS

The purpose of the desk audit is to ensure agency compliance with the terms of the Grant Agreement and HUD regulations that are in place for the Housing Emergency Solutions Program (HESP). During a desk audit MHDC staff will review expenses billed to HESP that have already been reimbursed, once the agency has submitted at least 25% of the approvable expenses.

Scheduling

MHDC staff will contact all three of the grantee's main contacts from the Site Contact form at least one week in advance of the proposed review date via email. If MHDC staff are unsuccessful in scheduling a desk review after three attempts have been made the grantee will be notified that they have 15 days to schedule the review, otherwise their funding will be suspended, and grantee will be considered out of compliance, and no funds will be released until the visit is scheduled. Once the date is set MHDC staff will send a confirmation email that includes upload instructions for the digital review.

Day of Review

On the morning of the audit the grantee will be sent an email with a highlighted copy of the HESP-212 forms from any approved payment requests, and a list of client IDs pulled from any submitted HMIS/Comparable Database reports. The highlighted lines indicate which reimbursed expense require supporting documentation, proof of need and proof of payment. The client ID's provided specify which case files must be pulled for review. However, MHDC generally does not audit children's files.

All requested documentation should be assembled in an orderly fashion, scanned, and submitted via electronic upload to: https://www.mhdc.com/bigfile/, "Attn. Community Programs Department – Reviewer's Name – Grant #," by the date specified by the Compliance Officer (typically 1-2 business days).

Please note that https://www.mhdc.com/bigfile/ is a secure drop-box style platform for agencies to use to upload their required documents to MHDC.

Uploading Files to MHDC's Big File System

1. Open Internet Brower
2. Go to https://www.mhdc.com/bigfile/
3. Click the "Click Here" button to upload files to MHDC General
4. Add files via the below two options (multiple files can be added in one upload)
    a. Click "my computer" and select files from your computers file explorer
    b. Click on file(s) from any open file explorer window
5. Add identifying Information
    a. Put in Full Name
    b. Put in Email Address
    c. Put in Message
        i. "Attn. Community Programs Department – Compliance Officer's Name – Grant Number"
6. Click "Add More Files" (if needed)
7. Click "Upload" when all files are added
8. You will receive a confirmation email once your file(s) has been uploaded

Tips for a Successful Upload

- Please review scans before sending them to MHDC.
- Make sure that all pages are facing the same direction and are legible.
- Any sensitive or confidential information (full SSN) must be redacted prior to scanning and sending the documents.

Exit Interview

After the final day of the grantee's upload window, MHDC staff will begin reviewing the submitted documentation. Following the conclusion of the desk review, the grantee will receive an exit interview email outlining any areas of improvement or findings noted during the desk

review. This email will provide the grantee with an opportunity to submit any missing documentation, though no corrections should be made, and to address any additional questions or concerns identified during the audit. A formal compliance report will be prepared and sent to the agency within 30 days of the exit interview. The report will be sent to the agency contact listed in the site contact form on file with MHDC.

Compliance Report

Regardless of the outcome of the desk audit, all grantees will receive a compliance report once the audit and exit interview are completed. A written response is not required unless otherwise noted by MHDC in the compliance report. MHDC requires any agency found out of compliance to submit a Corrective Action Plan (CAP). A CAP may also be required at the discretion of MHDC based on items identified during the audit.

The CAP should be a formal written response addressing each of the areas of improvement and/or findings and must be submitted to MHDC within 30 days of receiving the compliance report. The CAP must describe the corrective action the agency will take to resolve the concerns noted in the compliance report and a targeted date for completion. Funds will not be released to any grantee found out of compliance until a CAP is submitted and approved by MHDC.

COMPLIANCE VIOLATIONS

Common Compliance Errors

MHDC staff will use the following terms on the grantees exit interview and compliance report: "*area of improvement*" and "*finding(s).*" An *area of improvement* is noted in the exit interview and compliance report as a way of letting the grantee know of a specific aspect of an agency's processes, documentation, compliance, or service delivery that does not fully meet the HESP required standards and therefore needs corrective action to avoid future compliance issues. An *Area of improvement* identifies what changes, updates, or additional steps are necessary to ensure compliance and strengthen agency performance. A *finding* is noted in the exit interview and compliance report where an agencies program, or process does not meet the required HESP standards, regulations, or grant conditions. *Findings* are identified during audits, reviews, or other monitoring activities and can indicate non-compliance that must be corrected or could lead to non-compliance status.

Examples of common findings are listed below:

- Missing proof of payment and proof of need for expenses billed during the grant period
- Missing required forms and/or forms completed incorrectly
- Participants failing to disclose income information/inadequate intake application
- Missing household eligibility documentation (i.e., income and homelessness)
- Missing documentation of case management and housing stability goals

- Expenses billed outside of the grant year
- Not having completed HESP-205 and HESP-207 forms on file for Emergency Shelter Programs
- Fair Market Rent and Utility Allowance calculation missing

Out of Compliance

If MHDC staff determines that the grantee is out of compliance, this status will be formally recorded. Funding will be suspended until MHDC verifies that all issues have been resolved. In most cases, grantees found to be out of compliance will be required to submit a Corrective Action Plan (CAP) outlining the reasons for the noncompliance status and the steps that will be taken to correct the findings. Depending on the reasons for the out-of-compliance status, grantees may also be subject to a follow-up site visit conducted by MHDC staff to ensure that all issues have been resolved. If the issues that caused the grantee to be out of compliance are resolved after the CAP and/or follow-up site visit review, MHDC will notify the grantee that their funding is no longer suspended. If the issues that caused the grantee to be out of compliance are still not resolved after the CAP and/or follow-up site visit review, MHDC will notify the grantee of their findings and funding will be suspended for all grants that the agency has been awarded through the Community Programs Department at MHDC.

Replacement Back-Up

If ineligible expenditures are discovered during the monitoring process, the agency will have the opportunity to replace the previously billed ineligible expenses with new, unbilled and HESP eligible expenditures that occurred during the grant year. Agency will be notified of the need for replacement back-up and a deadline for which the replacement back-up will need to be produced in the final Compliance Report following a monitoring visit and will be sent the HESP-219 form to be completed by the grantee. Replacement back-up will be submitted into Grant Interface if the grant year is current. If the grant year being monitored is from a previous year the grantee will email the supporting replacement back-up documents to cp.compliance@mhdc.com. The grantee must provide proof of cleared payment along with proof of need (invoice and/or receipt). If agency is unable to replace ineligible expenses, repayment of costs may become necessary.