

MSHDA has implemented new policy changes that will take effect on October 1, 2023. These changes will improve the overall performance and compliance required for the Emergency Solutions Grant (ESG) Program. The Policy Manual has also been updated and is posted on the MSHDA website, www.michigan.gov/mshda.

UNTIMELY/LATE FSR SUBMISSIONS (see [ESG Billing and Reporting Procedures](#), pg. 2)

Timely FSR submission is necessary for compliance with federal reporting requirements and the efficient administration of the Emergency Solutions Grant program (“ESG”).

30-Day Penalty: If FSR submission for ESG is delayed by 30 days beyond the stipulated deadline, the following penalty may be imposed:

- **Written Warning:** The grantee and CoC Chair (LPB)/Coordinator will receive a formal written warning notifying them of the delay and reminding them of the importance of timely FSR submission.

60-Day Penalty: If FSR submission for ESG is delayed by 60 days beyond the stipulated deadline, or the grantee has been subject to more than one 30-Day Penalty, the following penalties may be imposed:

- **Mandatory Meeting:** The Homeless Assistance Specialist will schedule a meeting with funded agencies and CoC/LPB leadership regarding performance issues.
- **Mandatory Corrective Action Plan (must be approved by the CoC/LPB):** The Homeless Assistance Specialist will draft a comprehensive Corrective Action Plan (CAP) that outlines identified issues and the essential remedial measures. The grantee is obligated to implement this CAP, including specific measures to avert future FSR submission delays. MSHDA's review and endorsement of the CAP are vital, ensuring a thorough examination of the causes for delayed submission and the proposal of effective remedial strategies.

90-Day Penalty: If FSR submission for ESG is delayed by 90 days beyond the stipulated deadline, or the grantee has been subject to multiple instances of the preceding penalties, the following penalties may be imposed:

- **Financial Recapture:** MSHDA reserves the right to recapture a portion (e.g., 10%) of the grant funds. Recapture will result in an overall reduction of the total grant amount previously awarded to the grantee.
- **Suspension of Funding:** MSHDA reserves the right to suspend all funding through MSHDA for the grantee until the delayed FSR submission is received and processed. During the suspension period, no further grant disbursements will be made.
- **Review of Grant Eligibility:** MSHDA reserves the right to review eligibility of the Fiduciary agency or subgrantee to participate in ESG. As part of such a review, MSHDA will assess the overall compliance and performance of the entity to determine eligibility.

Note: It is important to note that penalties for delayed FSR submissions under ESG may become more severe for multiple offenses. While the penalties outlined above provide an overview of the consequences, it is important for grantees to understand that repeated instances of non-compliance may lead to stricter measures. Federal guidelines provide MSHDA with broad discretion in managing grant terms, and MSHDA reserves the right to employ all available remedies to achieve the efficient and effective conduct of ESG.

RENTING FROM IN-LAW OR FAMILY MEMBERS (see [ESG Policy Manual](#), pg. 13)

HUD generally prohibits conflicts of interest lease agreements, such as family relationships between landlord and tenant, but does allow certain limited exceptions. When renting from In-Law or Family Members, grantees must present compelling evidence demonstrating that the unit had a pre-existing status as a rental unit prior to being rented out to a family member. This evidence should emphasize the unit's rental history and substantiate its status as a bona fide rental property before its occupancy by a family member.

Grantees may submit a variety of supporting documents and materials to help establish the unit's rental history:

- **Rental Agreement and Lease Records:** Past rental agreements outlining terms, duration, and payments from previous tenants (e.g., signed leases from prior tenants with payment receipts). Before submission, all personal and confidential information must be appropriately redacted to safeguard the privacy of individuals involved.
- **Advertisements and Listings:** Display ads from various sources that marketed the unit for rent (e.g., online listings, newspapers, showcasing features and availability).
- **Financial Records:** Bank statements or financial records showing rental income deposits (e.g., bank statements with consistent payments to a rental account).
- **Property Management Records:** If applicable, share reports from property management detailing rent, maintenance, and turnover (e.g., management reports covering rent collection and maintenance).
- **Tax Filings and Deductions:** If relevant, include tax return copies showing rental income and deductions (e.g., tax returns with reported rental income and related deductions).

By presenting a combination of these types of evidence, grantees may effectively establish the unit's pre-existing status as a rental property, meeting the requirements set forth by In-Law or Family Members. Approval of renting from In-Law or Family members is entirely within MSHDA's discretion.

CORRECTIVE ACTION PLAN (see [ESG Policy Manual](#), pg. 46)

A Corrective Action Plan (CAP) is an important component that aims to address and resolve deficiencies or non-compliance issues identified during program reviews, monitoring, audits, or those brought to MSHDA's attention. The CAP is a formal document that outlines the specific steps, strategies, and timelines required to resolve the identified problems and bring the grantee back into compliance with ESG regulations and guidelines.

A CAP can be imposed on any funded agency and may be initiated under various circumstances, including but not limited to:

- Untimely FSR submissions.
- Non-compliance with ESG requirements.
- Failure to meet performance goals and objectives outlined in the grant agreement.
- Misuse or mishandling of funds allocated under the grant.
- Inadequate record-keeping or reporting practices (e.g., HMIS data entry, participant files, etc.)
- Violation of fair housing laws, nondiscrimination policies, or other legal obligations.

The consequences of not fulfilling a CAP can be significant and may vary depending on the severity and extent of the non-compliance. If a grantee fails to meet the corrective actions within the specified timeframe, the following consequences may occur:

- **Suspension or Termination of Funding:** The grantee may face suspension or termination of its current ESG funding.

- **Ineligibility for Future Funding:** Non-compliance with the CAP may result in the grantee becoming ineligible for future funding through MSHDA.
- **Financial Recapture:** MSHDA reserves the right to recapture a portion of the grant funds based on the severity of the non-compliance and may demand reimbursement for misspent or misused grant funds.

To avoid these consequences, it is imperative for the grantee to take the CAP seriously, promptly implement the required changes, and maintain compliance with ESG guidelines to ensure effective and responsible use of the grant funds. Although MSHDA hopes and intends that all of its grantees will successfully perform ESG functions, in some circumstances MSHDA may determine that a CAP is insufficient to correct grantee performance concerns, in which case MSHDA may pursue any recourse available under federal guidelines.