CH1

PROGRAM START UP REQUIREMENTS

Introduction

Program start up refers to the completion and execution of documents and agreements required between the approval of an application and before receiving grant funds. This period will incorporate strategic planning on the recipient's part with regard to how funded activities will be managed and implemented. This chapter will cover the following:

- The Role of the Grant Administrator
- The Grant Award Process
- The Time Frame of the Grant
- Start-Up Checklist
- Recordkeeping
- Files to Retain
- Applicable Laws

All forms mentioned within this chapter are provided in the forms section of the CDBG website.

Section 1 - Definitions

- "**State**" – the South Carolina Department of Commerce's Community Development Block Grant Program
- "**Drawdown**" – When grant funds are requested from the State CDBG Program to pay expenses for an approved project cost
- "**Obligation**" – When State CDBG funds are committed to an approved project (via Grant Award/Grant Agreement)
- "**Finance**" – The South Carolina Department of Commerce, Division of Administration. This division processes requests for payments for CDBG funds and monitors financial aspects of program implementation and reviews audits.

Section 2 – The Role of the Grant Administrator

Before starting a CDBG project, recipients need to assign a competent Grant Administrator to manage their project and ensure that all applicable requirements are met.

- The Grant Administrator is responsible for day-to-day administrative tasks and oversight responsibilities to ensure that all the regulations and requirements outlined in this manual are adhered to.
- The Grant Administrator is the primary point of contact for the State and will be held responsible for the project schedule and budget, as well as reporting and recordkeeping.

The Grant Administrator should assess project tasks and determine what specific services may need to be obtained/procured. For example, an engineer may be necessary for the design and construction inspection of an infrastructure project, or an appraiser may be needed for acquisition paid for with CDBG funds. While allowed and even encouraged for tasks that require special technical skills or knowledge, these persons play a very specific role. They are not to be considered the main point of contact or the project manager. They are not held responsible by the State CDBG Program when issues arise concerning project progress, budgeting or compliance.

The Grant Administrator acts as a troubleshooter and coordinates the management team. They will hold a meeting at start-up with the key players on the project and then continue to communicate at least quarterly and more often as necessary throughout the life of the project.

The Grant Administrator must proactively manage each CDBG project, including management and supervision of other parties involved. Therefore, it is critical that the recipient think very carefully about the assignment of the Grant Administrator and that the Grant Administrator has the time, knowledge and skills to play this important role.

The Grant Administrator is the main point of contact with the State, representing the local government receiving the CDBG funds, and most of the State's contact regarding a CDBG project will be conducted with the Grant Administrator. The local government receiving the CDBG funds will be held accountable for the performance of the grants it receives. The performance of a grant can impact the recipient's ability to receive additional funds in the future.

Section 3 - Grant Award

Once an application for CDBG assistance has been approved, a letter from the Governor announcing the award is mailed to the Chief Elected Official (CEO) of the locality. The Department of Commerce may issue a press release and/or notify state elected officials. Shortly after the Governor's letter has been sent, the State CDBG Program will send a *Grant Award* and *Grant Agreement* to the locality's Chief Administrative Official. The *Grant Award* must be signed and returned to the State in order for the locality to accept the CDBG Award. The *Grant Agreement* includes Terms and Conditions, which consist of guidelines, laws and requirements under which the grant is to be administered.

- The Agreement incorporates by reference, the CDBG application, certifications and other materials related to the CDBG application for assistance.
- The Agreement also includes the *Grant Award* form, which is the last page in the *Grant Agreement* Terms and Conditions.

All reports and correspondence received by The State CDBG Program must include the grant number and title.

All submissions must be addressed to:

Department of Commerce,
Business Incentives-Community Development,
1201 Main Street,
Suite 1600,
Columbia, SC 29201

Grant Award Form

Along with the *Grant Agreement*, three *Grant Award* forms are mailed to the grant recipient.

The *Grant Award form* identifies the following information:

- Grant title,
- Project category,
- Date of award,
- Award amount,
- Grant period, and
- Grant number. (Please use on all correspondence to the State concerning the project.)

- The *Grant Award* form also identifies any special conditions for the grant. Special conditions will vary from grant to grant and may address a number of different issues.

Generally, the conditions will restrict the drawdown or obligation of grant funds until the conditions have been met and approved. Examples of special conditions are discussed in Section 2.

- An official of the unit of local government with legal authority to execute contracts and two elected officials must sign all three copies and return two copies to the State.
- The recipient retains one copy of the *Grant Award* form along with the *Grant Agreement* for its project files.
- The signed *Grant Award* form must be returned to the State within fifteen days of the date of award on the form.
- Failure to return the signed *Grant Award* form within the specified period may result in withdrawal of the grant by the State.
- After returning the executed *Grant Award* form, the recipient should contact the State CDBG Grants Manager for the recipient's geographic area to obtain technical assistance on start-up requirements and general program procedures.
- A list of the Grants Managers and their phone numbers is found on the State's CDBG Program's website at cdbgsc.com.

Section 4 - CDBG Start-Up Checklist and Special Conditions

The *CDBG Start-Up Checklist* identifies the actions and documentation necessary for the recipient to complete prior to the drawdown of any CDBG funds. (A copy of the checklist is located in the attachments of this chapter). The *Start-Up Checklist* should be used as a cover page when returning documents to the State CDBG Program or Finance. The recipient must return the checklist to the State showing the date each item was submitted to the State or to Finance. No grant funds will be released until all applicable items have been received and are found to be acceptable. After all documentation has been received and approved, a copy will be signed by the State and Finance and sent to the Grant Administrator and locality.

The following is a summary of the required documentation that must be submitted to the State in the order listed below. All of the forms required by the *Start-Up Checklist* are included in the forms section of the web site.

- *Grant Award Form* - An official with the legal authority to enter into contracts for the recipient, along with two elected officials, must sign two copies of the *Grant Award form* and return it to the State within fifteen days of the date on the form.
- *Performance and Accomplishment Report* and *Proposed Activity and Beneficiary Report - EO-2* – These forms are used to indicate proposed accomplishments, outcomes, leveraging, etc. for the project, as well as the number of individuals who

will benefit from project activities and their income, race and ethnicity. Numbers of total and LMI beneficiaries shown on the EO-2 must match the Target Plan submitted in the approved application. Only the "proposed" columns of the Performance and Accomplishment Report need to be filled out. Grant recipients should call their grant manager, as needed, for assistance with either form.

- *Contact Information Form* – It is important that the State has complete and up to date contact information for the grant recipient and the grant administrator. Addresses, phone and fax numbers, email addresses, and federal identification numbers (i.e., Unique Entity ID (UEI), CAGE code) should be updated on this form and included in the start-up package. UEI and CAGE codes relate to federal registrations required for grantees. See Chapter 11, Other Requirements for more information.
- *Administrative Contract* - If the recipient intends to use a consultant for program management, there must be a contract between the recipient and the consultant. (A dated and executed copy of this contract should be in the funding recipient's files.) Remember that if CDBG funds will be used to pay a consultant other than a Council of Government (COG), the method of procuring the consultant must comply with the procurement practices outlined in the applicable sections of the State CDBG Procurement procedures outlined in Chapter 7. The method of procurement, basis for selection, as well as the proposed contract and *Contract Transmittal Form*, *C-1* must be submitted to the State for prior approval. Please see Chapter 7: Procurement and Contracting for a copy of this form and more information. (Note: A general conflict exists where a local government awards a contract to a firm to administer its CDBG program, while the same firm is to provide engineering or architectural design service on the same project. In this case, an administrative contractor may not oversee and approve its own work.)
- *Procuring Consulting Services for Project Management* - If a recipient intends to utilize the services of a Council of Government or other public agency, formal procurement is not required, and the proposed contract does not need to be submitted to the State for approval. (A dated and executed copy of this contract should be in the funding recipient's files.) If the recipient intends to use its own employees to administer the grant, no contract is necessary.
- *Environmental Release/Clearance* - Fulfillment of environmental review responsibilities, as outlined in Chapter 2, is required of all CDBG recipients. Proper environmental review procedures must be followed and documented. Once these procedures have been completed, the recipient submits the appropriate form with backup documentation as certification of compliance with environmental requirements. (See the attachments to Chapter 2.) A recipient may not draw down, obligate or expend CDBG funds for any activities until the State has approved the Request for Release of Funds, or a Documentation of Categorical Exclusion/Exemption.

- *Section 504 Compliance Schedule* - The recipient is required to submit a schedule for meeting each of the requirements in Section 504 of the Rehabilitation Act of 1973, as amended. (Refer to Chapter 11 for more information on Section 504 requirements and the attachments to this chapter for the form.) If the recipient has already completed some of the required tasks, the date each was completed should be shown on the form.
    - If the recipient has had a *Section 504 Compliance Schedule* approved by the State in the last twelve months under another CDBG grant and there are no required changes to the Schedule, a copy of the schedule may be submitted with this grant number added to the Schedule.
- *Section 102 Disclosure Report* – This form is required by Section 102 of the HUD Reform Act of 1989. Such disclosures include the amount of assistance, sources and uses, and financial interests of persons in activities funded with federal funds. This form should be submitted at start up if not included with the application. (See Chapter 11 for more information and a copy of the form.)
- *Subrecipient Agreement* - If a recipient intends to subgrant funds to a subrecipient, such as a water/sewer authority or other CDBG eligible subrecipient, a subrecipient agreement is required to be submitted to the State for approval prior to its execution. (Refer to Chapter 7 for more information and the forms section of the web site.)
- *Special Conditions* - Special conditions for a grant are found on the signature page or as an attachment to the *Grant Award*. The recipient should pay close attention to any special conditions attached to the award and should make every effort to clear them as promptly as possible. Failure to meet a special condition may result in the withdrawal of the grant by the State.

Recipients may be required to attend training sponsored by the CDBG Program as well unless attendance is waived. Additional special conditions may be imposed at the discretion of the State CDBG Program at any point throughout the duration of the project.

The following three items are to be submitted separately to Finance by the recipient:

- *Authorized Signatures for Payments and Checks Form* - This form designates the individuals who will be authorized to draw on *the Request for Payment* and sign checks. It also designates the bank and account to receive CDBG funds requested and whether the grant is advance or reimbursable. (Please see Chapter 3 for more information and the forms section of the web site.)
- *Debarment/Suspension Certification* - Recipients must certify that no debarred, suspended, ineligible or voluntarily excluded persons or organizations will participate in this grant. The certification extends to procurement contracts for goods and services over $100,000 or where the recipient or its officers will have a critical influence or control over any transaction relating to the contract. (Please see Chapter 8 for more information and the forms section of the web site.)

- *Audit Requirements Certification Form* - The recipient certifies that it has reviewed the audit requirements and will comply with the provisions of OMB Circular A-133. If required, copies of the audit will later be submitted to Finance for review and approval. (Please see Chapter 3 for more information and the forms section of the web site.)

Grants awarded prior to April 2, 2025:

- *Fair Housing Plan* - This plan must briefly describe the action(s) and schedule for each action that the recipient proposes to undertake to affirmatively further Fair Housing within the grant period. A grantee that has received several CDBG grants in the past will be expected to undertake more than the minimum action to promote fair housing in the community. (Refer to Chapter 11 for more information on Fair Housing.)

Section 5 - Grant Period and Time Frame for Project Completion

The *Grant Award* form will indicate the period established for completion of all grant activities. Generally, recipients are expected to complete projects and close-out the grant within twenty-four months.

Completion of program activities within the time frames established in the approved application is extremely important since future funding decisions will take into account timely implementation. The recipient must demonstrate satisfactory program progress within six months of grant award.

The State may choose to exercise its right to recapture all unobligated CDBG funds for grants that have not made significant progress within six months of grant award. At other times during the grant period, if recipients are found in significant non-compliance with their project schedules, the State may decide to terminate unobligated CDBG funds or institute other sanctions, as appropriate. Recipients should always notify the State CDBG Program in writing when significant project delays have occurred and the reasons should be identified.

Recipients should always include a revised Implementation Schedule, P-1 when requesting a grant period extension.

If, for reasons beyond the control of the recipient, it appears that an extension beyond the approved grant period will be necessary, a written request for extension should be sent to the State on the *Budget Revision/Grant Period Extension Request* form. This form, which can be found in the forms section of the web site, must be accompanied by a written explanation of the project delay and a revised *Implementation Schedule, P-1.* (Please refer to Chapter 12 for more information.)

Under the provisions of the National Defense Authorization Act of 1991, the State is required to have drawn down and expended all funds within five years of the date of the federal allocation. Any remaining funds (whether **obligated or unobligated**) will **not**

be available for obligation or expenditure for any purpose once five years has passed. If for some reason the State's funds were de-obligated, this would affect any grant funds awarded to recipients that are not yet **expended**. The grant will be immediately terminated without regard to whether such funds have been obligated by the recipient.

Section 6 - Recordkeeping

Overview

Recipients of CDBG funds are required to maintain files necessary to demonstrate compliance with Title I of the Housing and Community Development Act of 1974, as amended, and any other policies or regulations required by HUD or the State.

These files must be available at the local government and be provided to the public for review as well as appropriate Federal and State authorities. It is imperative that these records be maintained in an organized manner to allow monitoring of compliance with applicable federal and state guidelines. Failure to maintain adequate recordkeeping could result in an Identified Problem at monitoring. For more information about monitoring, visit Chapter 12.

Record Retention

All records and project related materials must be secured and retained for a minimum of three years after final close-out of the HUD allocation to the State has been approved. The State cannot close any year's CDBG allocation until every grant funded out of the year has been programmatically closed. This includes grants subsequently funded all or in part with returned or recaptured funds. Grantees will be notified via letter when this occurs, so Grantees should retain all records until the State notifies the Grantee that disposal is allowed.

The only exceptions to the three-year requirement are as follows:

- If any litigation, claim, audit or other action involving the records has been started before the expiration of the three-year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular three-year period, whichever is later.
- Records for non-expendable property have not been resolved.
- Records for non-expendable property acquired with Federal funds shall be retained for five years after its final disposition.

It is helpful to get organized in the beginning and establish a set of project files, which will be used throughout the life of the grant. Please see Section 7 which provides the list of files that should be maintained with appropriate documentation to demonstrate compliance with applicable laws and requirements.

Section 7 – Files to Retain

Overview

There are two categories of files listed below: files that are mandatory to retain for the minimum of three years and files that we highly recommend are retained until their expiration. Additional documentation may be necessary for some projects, such as those addressing economic development.

Files to Retain

Administrative

- Application and Signed Certifications
- Governor's Grant Announcement Letter
- CDBG Grant Award Letter and Grant Agreement
- Project Budget
- Administrative Contract and Budget
- Subrecipient Agreement
- Start-Up Checklist and Attachments
- Bank Signature Form
- Amendments, Revisions, Extensions, Cost Savings Plan
- General Correspondence
- Reference Materials

Environmental

- Environmental Review Record
- Relevant Correspondence
- Copies of Public Notices and Affidavits of Publication (if applicable)
- Notice of Removal of Environmental Conditions (if applicable)

Quarterly Reports

- Quarterly Reports (Q-1)
- Implementation Schedules (P-1)
- Contract/Subcontract Activity Reports (EO-1)
- Labor Standards Reports

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Monitoring

- Monitoring Letter from CDBG/Finance
- Response to Findings
- Clearance of Findings

National Objectives

- Low- and Moderate-Income Surveys or Other LMI Documentation
- Documentation of Proposed and Actual Beneficiaries
- Service Area Census Data
- Slum and Blighted Area Designation
- Description of Blighting Conditions
- Spot Blight Inspections
- Urgent Need/Imminent Threat Documentation

Citizen Participation

- Citizen Participation Plan (resolution of adoption by local government and minutes)
- Needs Assessment
- Public Hearing Notices and Minutes
- Correspondence with Citizens

Financial

- Request for Payment Forms
- Documentation of Expenditures (invoices, contracts, canceled checks, bank statements) for CDBG and match
- Budget Revisions
- Ledgers
- Property Inventory

Procurement/Contracts

- Bid Solicitations and Evaluation Criteria
- Proof of Advertisement for Bids
- Bid Tabulation and Evaluation

  Minutes of Public Bid Opening and Notice of Intent to Award
- Notice of Award
- Contractor Eligibility and CDBG Approval of Contracts
- Executed Contracts (Engineering/Architectural, Construction and Administrative) and Contract Documents (Recommendation to Award and CDBG Contract Special Provisions)
- Architect/Engineer's Certification
- Debarment Certifications
- SC Illegal Immigration Reform Act Contractor Certification
- Bonding and Insurance
- Section 102 Form
- BABA compliance documentation

Construction Management/Labor Standards

- Wage Requests and Determinations
- Report of Additional Classification and Rate
- Pre-Construction Conference Minutes and Attendance Record
- Notice to Proceed
- Weekly Payrolls
- Employee Authorization to Make Other Deductions
- Certificate Designating Employee to Supervise Payment
- Employee Field Interviews (HUD 11's)
- Progress and Final Inspections
- Approved Change Orders
- Correspondence Related to Construction

Acquisition (Individual Case Files documented with delivery receipts, as appropriate)

- Signed Waiver of Rights (if voluntary donation)
- Proof Preliminary Acquisition Notice and Copy of "When a Public Agency Acquires Your Property" Sent to Property Owners

  Evidence that a Competitive Process was Utilized in Selecting Appraisers (if CDBG funding was used to pay for contract)
- Appraisal Contracts
- Appraisal and Review Appraisal Report or Waiver Valuation Documentation
- Evidence and Date of Personal Contacts with Property Owner
- Evidence that the Property Owner was Invited to Accompany the Appraiser

  Evidence that the Appraisal was Reviewed by Grantee and Just Compensation Established
- Written Offer to Purchase and Summary Statement of the Basis for the Offer of Just Compensation
- Evidence that the Items Sent to Property Owners Mailed First Class, Return Receipt Requested or hand delivered
- Written Acceptance or Rejection of Offer to Purchase
- Written Evidence of Negotiation (if applicable)
- Administrative Settlement Documentation (if applicable)
- Copy of Canceled Check(s)
- Summary Statement of Settlement Costs
- Copy of the Executed and Recorded Deed/Easement

Demolition (Residential Structures)

- Photographs or Video of Exterior and Interior of Building (where access to the interior is safe)
- Code Inspection / Itemized Work Write-up
- Completed CDBG H-1 Form for each structure to be demolished
- Evidence of ownership verification (title searches)
- Demolition Permission and/or Ordinance and evidence of compliance
- Demolition Liens (if applicable - only for projects funded in 2024 or earlier)

- Vacancy Documentation
- Anti-Relocation and Displacement Plan

Section 3

- Section 3 Employee/Employer Certifications
- Section 3 Business Concern Certifications (if applicable)
- Labor Hours Tracking form
- Documentation of Qualitative Efforts

Section 504

- Section 504 Schedule
- Copy of Notice of Non-Discrimination
- Section 504 Self-Evaluation and updates
- List of Agencies, Groups and Persons Participating in the Self-Evaluation Process
- Copy of Adopted Grievance Procedure
- Copy of Transition Plan and updates
- Official Designation of 504 Coordinator

Equal Opportunity

- EEO-4 Form (if applicable) or statistics on locality's workforce
- Demographic Data of Project Area, Beneficiaries and Applicants
- Personnel Policies
- Complaints
- Copy of Employment Advertisements

Fair Housing (Only Grants Awarded Prior to April 2, 2025)

- Fair Housing Plan and Schedule
- Evidence of Activities to Affirmatively Further Fair Housing
- Complaints Referred to State Human Affairs Commission

Close-out

- Grant Close-out Agreement (For CDBG Projects Not Having Submitted a Final Audit)
- Grant Award Decrease for Closeout Form (when applicable)

- Complete Close-out package
- Digital Photos
- Equipment Control Record Form
- Property Inventory Sheet
- Performance Accomplishments
- Beneficiary documentation (EO-2)
- Evidence of Compliance with Special Grant Conditions, as applicable
- Permit to Operate or Certificate of Occupancy, as applicable
- Certified "As Built" Drawings
- Evidence of Performance Public Hearing
- Final waiver of liens
- Section 3 Labor Hours Tracking Form
- Programmatic Close-out Letter
- Audits
- CDBG Final Close-out Letter

Suggested Files

It is suggested that all Section 504 and Equal Opportunity documentation be retained permanently as it will be needed for future grants the locality receives.

Section 8 - Applicable Laws and Regulations

The following is a list of Federal laws and Executive Orders that are applicable in whole or in part to the CDBG program. (Note: This list may not be all-inclusive.) Many of these documents are provided on the State CDBG website or on the HUD Exchange web site.

- General
  - Title I of the Housing and Community Development Act of 1974, as amended
  - 24 CFR Part 570, Subpart I, Community Development Block Grant: State Program Regulations, and Subpart C, Eligible Activities
- Financial Management
  - 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, And Audit Requirements For Federal Awards

- Civil Rights
  - Title VI - Civil Rights Act of 1964
  - Title VIII of the Civil Rights Act of 1968, as amended
  - Section 109 of the Housing and Community Development Act of 1974, as amended
  - Section 504 of the Rehabilitation Act of 1973, as amended
  - Section 3 of the Housing and Urban Development Act of 1968, as amended
  - Age Discrimination Act of 1975, as amended

To obtain copies of Federal publications, request copies from: The Superintendent of Documents, U. S. Government Printing Office, Washington, DC 20402. Phone: (202) 783-3238. Or go to the GPO web site at: https://www.archives.gov/research

- Labor Standards
  - Fair Labor Standards Act
  - Contract Work Hours and Safety Standards Act
  - Davis-Bacon Act
  - Copeland "Anti-Kickback" Act
  - Section 3 of the Housing and Urban Development Act of 1968, as amended
- Acquisition/Relocation
  - Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (49 CFR Part 24)
- Environmental
  - National Environmental Policies Act of 1970, as amended
  - National Historic Preservation Act of 1966, as amended
  - Advisory Council on Historic Preservation (36 CFR Part 800)
  - Executive Order 11593, Protection and Enhancement of the Cultural Environment
  - The Reservoir Salvage Act of 1960, as amended by the Archeological and Historic Preservation Act of 1974
  - Flood Disaster Protection Act of 1973, as amended
  - National Flood Insurance Reform Act of 1994

- Executive Order 11988, Floodplain Management
- Executive Order 11990, Protection of Wetlands
- Coastal Zone Management Act of 1972, as amended
- Coastal Barrier Resources Act of 1982, as amended by the Coastal Improvement Act of 1990
- Safe Drinking Water Act of 1974, as amended
- Endangered Species Act of 1973, as amended
- Wild and Scenic Rivers Act of 1968, as amended
- Clean Air Act, as amended
- Farmland Protection Policy Act of 1981 (7 CFR Part 658)
- Notice of Runway Clear Zone (24 CFR 51.30)
- 40 CFR Part 149 Environmental Protection Agency Sole Source Aquifers
- Noise Abatement and Control (24 CFR Part 51)
- 24 CFR Part 51, Environmental Review Procedures for HUD Projects

♦ Procurement

- 2 CFR Part 200
- South Carolina Procurement Code
- Uniform Relocation and Real Property Acquisition Act of 1970
- South Carolina Ethics, Government Accountability, and Campaign Reform Act of 1991
- Section 3 of the Housing and Urban Development Act of 1968, as amended
- Section 121 of the Workforce Innovation and Opportunity Act, as amended
- Buy America Build America Act
- Davis-Bacon Act
- South Carolina Illegal Immigration Reform Act

Chapter 1: Program Start Up Requirements
Forms/Documents

Forms/documents referenced below are found on the State CDBG web site under Forms/Startup

- CDBG Start-Up Checklist
- Performance and Accomplishment Report
- Proposed Activity and Beneficiary Report (EO-2)
- Proposed Activity and Beneficiary Report (EO-2) Instructions
- Contact Information Form
- Section 504 Compliance Schedule
- New HUD Rules – Section 3 (resource only)
- Section 102 Disclosure Report
- Subrecipient Agreement
- Implementation Schedule P-1
- Fillable Authorized Signature form
- Debarment/Suspension Certification form
- Audit Requirements Certification form