CH 12

REPORTING, AMENDMENTS AND MONITORING

Introduction

This chapter provides a summary of the requirements and processes associated with reporting, revising grant schedules or budgets and monitoring. Quarterly reports are used by the State as an interim monitoring tool, and represent the strongest measure of recipient accountability in the execution of grant activities. Amendments, revisions, extensions, or adjustments are sometimes necessary due to project schedule or budget changes. There is a specific process recipients must follow in these situations. Monitoring is the process of reviewing grant performance and documentation to ensure compliance with all applicable Federal and State requirements. This chapter will provide detailed information and forms associated with these important performance areas.

Section 1 – Quarterly Reports

Overview

The State is mandated by the requirements of Title I of the Housing and Community Development Act of 1974, as amended, and 24 CFR Part 570.492 of the State CDBG regulations, to conduct periodic reviews of its recipients. In order to carry out this review, the State requires the submission of quarterly reports on each grant. The reports address program progress and beneficiaries, and are reviewed by Grant Managers to ensure that:

- Activities are being conducted in compliance with the approved application and grant agreement,
- Activities are progressing in a timely manner and in accordance with the project schedule,
- A CDBG National Objective is being achieved and that the beneficiaries of the grant activities are being served as approved in the application, and
- To determine the technical assistance needs of the recipient and schedule on-site monitoring, as appropriate.

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Reporting Period/Due Dates

All recipients are required to submit a Quarterly Status Report, Q-1, with attachments as appropriate, for every quarter until the grant is programmatically closed-out. This includes grants that are programmatically closed pending beneficiaries or the fulfillment of job creation requirements. (Refer to Chapter 13 for more information on these close-out classifications.)

Accurate reports are essential for the State to determine progress and schedule timely and appropriate technical assistance and monitoring meetings.

- The due date of the first quarterly report is indicated on the Grant Award letter. Usually, **the first report is due the first full quarter following a grant award**.
- Thereafter, **quarterly reports are due the first workday following the end of each federal fiscal quarter, typically** JANUARY 2, APRIL 1, JULY 1, OCTOBER 1.
  When a due date falls on a weekend, the report is due the following workday.
- **Quarterly Reports are past due after the fifth day of the month**.
- **If a correctly completed report is not received by the tenth day of the month, a stop payment notice will be sent to the local government's chief elected official.**

The April quarterly report will also require information on the annual accomplishments during the reporting year for direct benefit activities (LMC and LMJ).

For grants which are programmatically closed pending beneficiaries or job creation, the recipient must continue to submit a Quarterly Status Report, Q-1, and Annual Accomplishments Report, EO-2, showing beneficiary or job creation status until the State has monitored and approved the recipient for meeting its job and hiring commitments or final beneficiaries have been documented. Additionally, the recipient must continue to submit an annual Program Income Report for each year program income is received and/or expected.

Required Contents

The Quarterly Status Report, Q-1, is designed to document the status of project activities and accomplishments. It allows the recipient to document problems encountered during the reporting period and any remedial actions taken. The activities to be listed should be taken from the Application Budget Page line items.

The Consolidated Planning Regulations at 24 CFR Part 91 require the State to collect and report information on the number of extremely low income, low income

and moderate income persons served by each activity, where information on income by family/household size is required to determine the eligibility of the activity. As outlined in the Glossary (in the Introduction to this Manual), the Consolidated Plan definitions of income (based on family/household size and county of residence) are as follows:

- **Extremely Low Income -** Persons with incomes 30 percent or below of the area median family income.
- **Low Income** - Persons with incomes between 30 and 50 percent of the area median family income.
- **Moderate Income -** Persons with incomes 50 to 80 percent of the area median family income.

This income data will be collected at the time the income information is obtained from the direct beneficiary.

- For housing activities (i.e. water/sewer connections on private property), the verification of a household's income via the Self-Certification of Income form will occur prior to making the connection on private property.
- For jobs, an income survey is taken prior to employment by all applicants.

This income and other data for direct beneficiaries will be submitted for the reporting year using the EO-2 Annual Accomplishments Report for Direct Benefit Activities and submitted with the April Quarterly Report. Only the accomplishments for the program year will be reported on this form and not cumulative accomplishments for the grant. Upon completion of the project, income data for applicants and actual beneficiaries must also be reported on the Final Beneficiaries form EO-2, Performance Accomplishments, and Close-out Report.

For economic development activities, income data must be collected for **all** individuals who are actually hired. New jobs created must be reported on the Annual EO-2 (attached to the April Quarterly Status Report, Q-1). Information on whether the schedule for completion of job creation and the number of jobs created to date is consistent with the Company Hiring Plan must be included in the Quarterly Status Report, Q-1. **The recipient is required to verify on-site the number of jobs created and the characteristics of applicants and persons who filled those jobs, including LMI status.** If there has been a change in the projected hiring completion date, a revised Company Hiring Plan must be attached to the Quarterly Status Report, Q-1.

Additional Information Required

There are a few elements of the Quarterly Status Report, Q-1, which may require additional reports to be attached. These are described below.

- **Implementation Schedule (P-1)** - If the project is not in substantial compliance with the Target Plan and Schedule, which was approved initially as part of the application or updated as part of the Start-up Checklist, then a revised Implementation Schedule must be submitted with the Quarterly Status Report. The recipient must indicate on the P-1 that it is a revised submission and document the reasons for any delays with the P-1 form. It is important that justification be provided on the form to document program progress and the capacity of the recipient to carry out grant activities in a timely manner.
- **Contract and Subcontract Activity Report (EO-1)** - For contracts or subcontracts that have been awarded during the quarter being reported, the recipient must complete a Contract and Subcontract Activity Report (EO-1) with the Quarterly Status Report. The ending period for this report is the last day of the month preceding the date the Quarterly Status Report is due. All CDBG funded contracts and subcontracts over $10,000 (construction, equipment, materials, services, etc.) must be included in this report. Because subcontracts are included, continuous communication with the engineer, architect, and contractor is essential. If a prime contractor cannot identify all the subcontractors who will be involved in the CDBG contract at the time of contract award, as soon as this information is determined, all participating subcontractors shall be identified in the next quarterly Contract/Subcontract Activity Report submitted to the State and all information properly completed. It is not required that contracts for services with non-profit organizations be included.
    - The total contract or subcontract amount is shown on the EO-1. Additionally, the contractor ID Number is the Social Security Number or Federal ID Number, not the contractor's license number. The section for the contractor's name, street address, city and zip code must be completed.
    - The report must identify if the contractor is a Section 3 business.
- **EO-2 Annual Accomplishments Report for Direct Benefit Activities** – HUD requires all accomplishments achieved during the program year to be reported annually for all activities involving LMH, LMC or LMJ national objectives (housing, water/sewer connections, jobs).
- **Labor Standards Report** - If the recipient has awarded contracts during the quarter being reported, this report is submitted to document actions taken regarding labor standards.

Annual Reports

An annual report of accomplishments is required to be submitted by April 5 of each year as part of the Quarterly Progress Report (Q-1).

An annual program income report must be submitted by April 5 of each year if any program income was anticipated during the previous year or if any income from CDBG grants was received. If income in excess of $35,000 was received, excluding Revolving Funds, then a detailed report must be submitted to the CDBG Data Program Manager. See Chapter 3 for more information about program income.

Section 2 - Project Amendments, Budget Revisions, Grant Extensions and Adjustments

Project Amendments

An amendment involves changes to the scope, beneficiaries, funding sources, location of an approved project, or how the project will be carried out. Recipients must submit a written request from the chief elected or administrative official for a program amendment, using the Project Amendment Request form (see the forms for this chapter) and receive prior approval from the State in the following instances:

- If the addition of a new activity or deletion of an approved activity is proposed.
- If a change in the scope of an approved activity for the project (i.e., portion of water line work removed) or how it will be carried out is proposed.
- If any activity is proposed in an area other than the approved target area.
- If the funding sources change from what was proposed.
- If the number of beneficiaries of an approved activity are changed by more than ten percent. Note that in no case may the recipient reduce the number of beneficiaries for any approved activity so that the percentage of LMI beneficiaries is less than the requirements of the CDBG program.

The State recommends that recipients contact their Grants Manager prior to initiating a Project Amendment Request.

An amendment may be considered if bids for a project are under budget and the recipient wants to expand the project area or expand the project activities within the same project area. Typically, a determination of significant cost savings can be made at the time of contract approval. At that time, the State may request a Cost Savings Plan (form is available on web site) from the recipient. The Plan will

provide information about the proposed use of the cost savings. In some instances, a cost savings plan may not be appropriate. Determining factors include the amount of cost savings, timeliness of the project, environmental review considerations, compliance issues, etc. If a grantee is given an opportunity to submit a Plan, the State will review the Plan and make a determination of the eligibility and feasibility of the proposal. There is no guarantee that a cost savings plan will be approved. All proposed uses are subject to the same CDBG requirements. Factors to be considered include:

- Whether the cost savings plan exceeds the available budget
- Eligibility of activities
- National objective or changes in beneficiaries
- Need
- Location
- Feasibility and cost reasonableness
- Compliance with other applicable requirements (environmental, acquisition, etc.)
- Timeframe to implement within the grant period

Depending on what activity is proposed for cost savings, an amendment may or may not be required. For instance, an amendment would not be required if there would be an upgrade in service or construction materials for the same activity. An amendment would be required if the Cost Savings Plan proposes to significantly expand the target area or adds a new activity. If an amendment is required, additional time (30-60 days) will be allowed to submit a complete amendment depending on the complexity of the proposed use of funds and the information required to document compliance (income surveys, public hearings, ERR update, competitive bidding, etc.)

If a Cost Savings Plan is requested but is not submitted within the required timeframe, the remaining funds may be recaptured without further notice.

The written request for amendment must include the Project Amendment Request form as well as other applicable information that may change such as the P-1 Implementation Schedule, budget pages, maps, etc. The Amendment should include project period extensions and budget changes, so that additional forms do not have to be completed.

In addition, the recipient must hold a public hearing in accordance with the Citizen Participation (CP) Plan for all substantive amendments (i.e., amendments that require approval from the State as outlined above). (Refer to Chapter 11 for detailed guidance on the Citizen Participation Plan and public hearings.) Also,

depending on the nature of the amendment, a new or updated environmental assessment may be necessary. (See Chapter 2: Environmental.) Note that requests to add or delete administration or engineering services to a project do not require a public hearing, but all other amendment requirements must be followed. Contact the State to discuss whether a public hearing is required for an amendment.

Recipients will be expected to carry out the project as proposed in the application. The proposed activities should be completed, and the proposed beneficiaries should be served prior to project close-out. To achieve this, recipients may be expected to provide additional funds to meet the proposed accomplishments if actual accomplishments are significantly less than proposed. Failure to carry out the project as proposed will be considered a performance concern in future application requests.

Budget Revisions

Recipients should conduct an analysis of each funded activity's budget whenever there are potential line item budget revisions in order to ensure that the total costs are within the total project budget. A budget revision is necessary for any changes which exceed an approved CDBG total budget line item (CDBG and local match). This applies to the collective total of the line item, regardless of the source of funds. **However, no increase for the budget item General Administration is allowed without prior approval of the State, regardless of the amount or percentage of increase. Back-up documentation may be required to be submitted for review.**

Budget revisions must be submitted to the State for approval. If the project scope will be affected or there will be a corresponding change in beneficiaries, an amendment is required. Submit the request on the Project Amendment Request form and fill out all applicable sections. If no amendment is required, submit the Budget Revision/Project Period Extension form. Both forms are included in the Forms section for this chapter. Both forms require detailed justification for the revision and/or amendment, and a revised Application Budget Page must be attached. If the budget revision and/or amendment is approved by the State, the form will be returned to the recipient with the date of approval indicated.

If the local/other leveraging decreases from what was originally proposed, a budget revision to adjust the leveraging must be submitted to and approved by the State prior to the grant being de-obligated.

It should be noted that the State may require the recipient to hold a public hearing in accordance with the CP Plan if there are substantive budget revisions.

Grant Period Extensions

If the grant is not programmatically closed out by the end of the grant period

designated on the Grant Award form, a grant period extension is necessary and should be submitted on the on the Budget Revision/Project Period Extension form, or if an amendment is also involved, on the Project Amendment Request form. The appropriate form must be submitted to the State. A revised P-1 Implementation Schedule must be submitted along with the extension request showing the target dates for completion and the actual progress since the project was awarded. It is important for the recipient to provide adequate justification for the extension, clearly outlining the reasons for delays in project completion.

The State expects projects to be carried out in 24 months, however, recipients are typically allowed one 6-month extension with appropriate justification. Project completion should be achievable within that timeframe. There should not be multiple requests for extensions. If additional time is needed, the State may require a meeting with the recipient to discuss the implementation/progress problems and to determine the next steps.

The State will review such requests for continuing local capacity to carry out the approved activity in a timely manner. Disapproval by the State of a grant extension request may result in the recapture of any unexpended funds upon the expiration of the approved program period.

Grant Award Adjustments

A Grant Award Adjustment is a formal request for additional CDBG funds from the Grantee or a reduction in the CDBG grant award amount due to cost savings. Recipients are expected to meet their funding commitments outlined in the application. In the event of cost overruns, there is no obligation by the State to provide additional funds. Requests for additional funding are subject to the availability of funds; however, additional funds will not generally be granted for competitive projects that received the maximum grant award. Competitive projects that received less than the maximum will be reviewed on a case-by-case basis.

Grant award reductions are typically completed at close-out to return funds in cases where project costs are slightly lower than expected. However, when significant cost savings of 20% or more are anticipated, a grant award adjustment should be submitted as soon as the grantee becomes aware of the probable cost savings.

Generally, cost savings should accrue proportionally to all funding sources. However, exceptions will be considered on a case-by-case basis to reduce the burden to local governments or to make local funding available for other community projects to serve LMI persons. Requests for exceptions should be made in writing to the State as soon as possible and prior to close-out.

Grant Award Adjustments requesting additional CDBG funds can only be submitted for CDBG-eligible costs that are reasonable and necessary, and within the scope

of the project as set forth in the grant application or amended application. Additional local matching funds may be required.

The requirements for submittal of a Grant Award Adjustment are as follows:

- The local government's chief elected official must submit a written request for additional grant funds to the State. The request must include the rationale for additional funding. If the scope, beneficiaries, or location of the approved application will change as a result of the adjustment, a Project Amendment Request form must be completed. If there is no change requiring an amendment, complete a Budget Revision/Project Period Extension form. An updated Section 102 Disclosure form must also be submitted which shows the revised grant amount and uses of funds as well as other information that has changed.
  - Documentation on the amount of funds needed (typically, bid or change order) should be provided.
  - Note that a public hearing and revision to the environmental assessment may also be required because of the Grant Award Adjustment.
- If the Grant Award Adjustment for additional funds is approved, the State will issue a new Grant Award Adjustment reflecting the new amount. This form must be signed by the authorized local official and returned to the State within fifteen days of its receipt.

In cases where a grant award adjustment is not issued during a project but total CDBG costs are less once construction is complete, the State generally will not issue a formal adjustment to reduce the CDBG budget but will instead require the recipient to submit a Grant Award Decrease for Close-out form as part of the close-out package to reflect the final award (see Chapter 13: Grant Close-out Process).

Section 3 – Recordkeeping

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 for review by the public 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.

Chapter 1 provides a list of suggested files that should be maintained with appropriate documentation to demonstrate compliance with applicable laws and requirements. Additional documentation may be necessary for some projects, such as those addressing economic development; therefore, specific recordkeeping

requirements are discussed in each chapter of this manual.

Section 4 – Monitoring and Technical Assistance

Overview

The State is required by statute to monitor its CDBG recipients. This requirement is outlined in Title I of the Housing and Community Development Act of 1974, as amended, and 24 CFR Part 570.492 of the State CDBG Regulations. Section 104 (e) of Title I outlines the review responsibilities of the State. The review responsibility requires that the State ensure three key areas comply:

- Approved activities are carried out in a timely manner,
- Activities and certifications are conducted in accordance with the requirements and the primary objectives of Title I and with other applicable laws, and
- Recipients show a continuing capacity to carry out approved activities in a timely manner.

Financial Monitoring

A Financial Monitoring is conducted separately, by the Division of Administration (Finance), to determine compliance with the financial management requirements outlined in Chapter 3. In particular, the review will determine if records are maintained in compliance with 24 CFR Part 570, 2 CFR Part 200, and other State requirements, and if the recipient has an adequate system of financial management. Please see Chapter 3 – Financial Management for additional details regarding the financial monitoring. The section below pertains to the Programmatic Monitoring.

Programmatic Monitoring

The State will monitor each recipient throughout the course of a CDBG project, through periodic on-site visits, desk monitoring, and written quarterly reports, so that any problems that might occur may be resolved as soon as possible. It is the goal of the State to assist and support recipients in complying with applicable State and Federal requirements and in implementing their project activities in a timely manner.

As discussed throughout this Implementation Manual, recipients are required to maintain complete financial and program files and to comply with program reporting requirements. Recipients must also provide citizens with reasonable access to these records pertaining to the past use of CDBG funds. Recipients must retain all CDBG records for three years after close-out of the HUD grant to the State. Grantees will be notified via letter from the State when records are no longer

required to be retained.

To carry out the State's responsibility under Title I, one or more monitoring and/or technical assistance visits for each grant will be made during the project period. The technical assistance and project monitoring visits have different purposes.

Technical Assistance Visits

A technical assistance visit is informal in nature and may be conducted by the Grants Managers and/or Compliance Specialists. Typically, CDBG staff will meet with the project administrator and other interested local officials involved in the grant. The intent of this meeting is to share information that will enable the recipient to comply with the various State and Federal requirements for their grant.

Examples of technical assistance include:

- Explanations of project start-up requirements and assistance with the establishment of program files. The recipient must demonstrate compliance with applicable regulations and document compliance by maintaining accurate and complete records and files. The filing system must provide a historic account of the recipient's activities. The system should be easy to use and centrally located. (Note: Private consultants administering a grant for a local government should not keep project files. All files should be retained by the recipient.)
- Advice on technical requirements such as the environmental process, labor standards, and other cross cutting requirements, acquisition and/or relocation, Section 3, etc.

Most problems encountered with a grant can be resolved early and need not show up later as "concerns" or "identified problems" in a monitoring letter. Therefore, the recipient should contact their Grants Manager when questions or problems arise. If a technical assistance visit is necessary, the Grants Manager will arrange a suitable time to visit.

Programmatic Monitoring Visits

A monitoring visit is more formal than a technical assistance visit. The purpose of the monitoring visit is to determine if the grant is being conducted in compliance with applicable Federal and State laws and requirements. The review will also determine the recipient's ability to implement the program in a timely manner. The monitoring visit consists of a review of project files, records, and documentation as well as a visit to the project site.

Together, the recipient and Grants Manager will decide on a suitable date and time for the monitoring visit. The recipient will be notified, in writing, approximately two weeks prior to the visit. Accompanying this letter will be the CDBG Monitoring Summary, which will indicate the program areas to be reviewed during the visit. (The Monitoring Summary is provided in the forms for this chapter.) This Monitoring Summary form contains specific program compliance areas. All or some of the areas may be monitored by the Grants Manager and/or Compliance Specialists. This form will enable the recipient to make a final review of project files prior to the Grants Manager's visit.

The recipient should have all records, files, and documentation available for review at the monitoring visit. (Refer to Chapter 1: Program Start-Up for a list of the files that should be maintained.) Where other public agencies, attorneys or consultants have assisted in program implementation, these records must be available for review at the locality during the monitoring visit. Failure to have records readily accessible will result in a program "finding/identified problem."

Even though the monitoring visit is a formal review of the grant, the CDBG staff members are available to help the recipient carry out their project, and therefore, the visit should not be viewed as intimidating. Technical assistance may also be provided, as necessary, during or after the monitoring visit.

The steps in the monitoring process are described below.

Entrance Conference

The monitoring visit begins with an entrance conference with the project administrator and others the recipient feels should attend. It is expected that the chief elected official or chief administrator will attend this initial meeting, if possible. The Grants Manager will briefly outline the purpose of the monitoring visit and the areas to be monitored, which are those items highlighted in the Monitoring Summary. The monitoring visit will be conducted in accordance with the State's monitoring procedures and will last approximately several hours. It should be pointed out that complex programs, i.e., those containing demolition or involving a large amount of acquisition, may require additional time.

Program Areas Monitored

The Grants Manager conducts the monitoring using checklists as a guide to all the applicable laws and requirements. A general description of each of the program areas on the Monitoring Summary form follows. (Note that this summary does not include all items that may be reviewed.)

- Program Progress: Program progress is reviewed to determine if activities are proceeding in a timely manner. The CDBG Grants Manager will look to see that all "start-up" activities have been completed in a timely manner and a Release of Funds certification has been issued.

  The project files should contain correspondence to engineering firms, DHEC, contractors, or any party that is responsible for the project's progress. In some cases, other agencies commenting on environmental concerns may delay a project. The Grants Manager should be notified in writing (prior to the monitoring visit) if any problems exist. The recipient should remember that grants are usually awarded for twenty-four months. **It is very important that a recipient document in writing any delays or problems beyond their control in the grant files so it is clear why delays have occurred.**

  The Grants Manager will review the schedule established for the project. The P-1, Implementation Schedule will be reviewed to see that the recipient is implementing activities in a timely manner and in accordance with the time frame established for the project.

- Program Benefit: The State must monitor the grant to determine if activities are providing the level of benefit to LMI persons as outlined in the approved application. In the case of an application awarded on the basis of LMI benefit, the CDBG Grants Manager will be looking at the grant application, income surveys (if any), applications for assistance, and quarterly reports and other information which documents beneficiaries. This will enable the Grants Manager to make a comparison between the actual beneficiaries and those projected in the application. Recipients should be aware that if actual LMI benefit drops below the LMI requirements, the activity can be declared ineligible, and funds may have to be repaid. A visit to the project site will also be conducted as part of this review. For economic development projects, this review consists of an analysis of income surveys, payrolls, and employee lists to assess whether the business has hired workers as outlined in the commitment letter and approved application. A visit to the company will be conducted. The recipient should arrange in advance a convenient time to meet with company personnel.

- Environmental Review: A review of the Environmental Review Record (ERR) will be conducted to ensure required procedures were followed (refer to Chapter 2). Although the State reviews all components of the ERR prior to

Release of Funds, the Grants Manager must conduct a follow-up review. This review is done to ensure that all supporting documentation and comment letters are part of the ERR and are at the local government building available for public review. In addition, the Grants Manager will make sure that any required mitigation or follow-up actions indicated by the agencies in the ERR have been carried out.

- Procurement: The State will review the recipient for compliance with Federal and State bidding and contract compliance requirements (refer to Chapter 7) and will review the process used in procuring professional services, supplies and materials, and construction contracts. The method of procurement, evaluation of bids and proposals, and selection procedures will be evaluated. Contracts will be reviewed to ensure the required language and provisions (i.e. Section 3, Davis-Bacon, BABA, etc.) were included.

- Labor Standards: This review is necessary to assure compliance with applicable labor laws and State required record keeping. The Grants Manager will examine a variety of documents in the project files. Contractor eligibility will be verified along with requests for proper wage rates. This includes the follow-up inquiry made prior to construction. The Grants Manager will compare wage rates against employee interviews and payrolls to ensure proper wages are being paid and ensure that the recipient has appropriately reviewed these records. It is important for the recipient to understand that problems in this program area are statutory, and therefore, the Department of Labor will be notified if serious problems are found.

- Property Acquisition: The Grants Manager will also monitor the recipient to determine if Federal requirements were followed. The Grants Manager will determine if the recipient followed the correct procedures (including initial contact with the property owner, documentation of response, appraisal and review appraisal, just compensation determined, and offer made and accepted, etc.).

- Relocation and Displacement: This component includes a review of the required records to determine recipient compliance with the Uniform Relocation Act and other requirements and local policies. The review will also determine if Section 104(d) relocation and one-for-one replacement housing requirements have been met. The Grants Manager will look to see if there is documentation that the proper notices were given, that the proper formulas were used to calculate payments, and that suitable living arrangements were made for those relocated or displaced. It should be noted the State does not fund projects requiring relocation.

- Fair Housing and Equal Opportunity: This review is undertaken to ensure compliance with applicable State and Federal laws and recordkeeping requirements.

The Equal Opportunity review is a monitoring of CDBG files and project activities for non-discrimination in project benefits. The Employee hiring practices are reviewed to see if they are exclusionary. The State determines if there are any outstanding complaints or lawsuits related to equal employment. This review will also determine compliance with Section 504 of the Rehabilitation Act regarding non-discrimination on the basis of disability and accessibility to program benefits, facilities, and services.

Grants awarded prior to April 2, 2025:
Recipients must outline the actions to be taken to affirmatively further fair housing in a fair housing plan that is submitted to the State prior to the release of grant funds. During the monitoring, documentation of the actions taken is reviewed.

- Program Income: If applicable, a review will be conducted to ensure that records pertaining to CDBG program income are maintained and expenditures are in compliance with all Federal and State requirements. If program income was received, the Grants Manager will determine if the appropriate accounting records are being maintained and that accurate annual reports are submitted. An on-site review will be made to determine that all program income expenditures were carried out properly.

- Certifications: The State must review the recipient to determine if it is complying with the certifications submitted with the application. The CDBG Grants Manager will review citizen participation requirements, including the Citizen Participation Plan, Needs Assessment, public hearings and all meeting minutes and citizen comments. In addition, a review of the Residential Anti-displacement and Relocation Assistance Plan will be undertaken. Policy statements concerning excessive force by law enforcement will be reviewed along with lobbying, special assessments, and public access to records.

- Program Management: The area is monitored to ensure the continuing capacity of the recipient to properly administer the approved CDBG funds. The CDBG Grants Manager will look at program record keeping, timeliness of submission of quarterly reports, history of receiving stop payments, program files, ability of the recipient to work within a designated time frame, and the development and use of a grants management system.

Review of Project Area

An on-site review of the project area is conducted along with the file documentation review. The Project Administrator and other officials may accompany State staff during this phase of the review.

Exit Interview

After the monitoring visit has been completed, the Grants Manager will conduct an exit interview with the Project Administrator and other officials such as the Mayor, Chairman of County Council, or City or County Administrator. Many times the Exit Interview will be to notify the recipient that there were no problems and that the program is in compliance with CDBG requirements. However, any problems will be presented and discussed in the following context:

- A "finding or identified problem" is an action or lack of action(s) in direct violation of a statutory requirement or regulation. A finding/identified problem usually requires a corrective action or actions that are outlined by the State.
- A concern is a non-statutory issue that involves program improvement or management. Actions or recommendations may be provided to address the identified concern. A recipient does not have to respond to recommendations, but it is strongly suggested that the recipient give the recommendations consideration.

If there are specific problems, the Grants Manager may arrange for a Compliance Specialist to monitor or conduct a technical assistance visit.

Monitoring Letter

Within approximately thirty days of the monitoring visit, the recipient's chief elected or administrative official will receive formal notification of the results of the monitoring visit. Each program area monitored will be summarized and any findings/identified problems or concerns will be outlined along with suggested corrective actions. A written response will be required from the recipient if there are findings/identified problems or concerns within thirty days of receipt of the monitoring letter.

Failure to respond within the thirty-day period will be considered non-compliance with the grant's terms and conditions. This situation may result in a stop payment being placed on the grant until a suitable response is received.

Section 5 - Sanctions

If the recipient does not comply with the provisions of the CDBG grant agreement, the State may take the following action(s) to: prevent a continuation of the deficiency; mitigate, to the extent possible, the adverse effects or consequence of the deficiency; or prevent a recurrence of the deficiency. The following actions may be pursued, as well as any other actions deemed appropriate:

- Issue a letter of warning that advises the recipient of the deficiency and

notifies the recipient that additional action will be taken if the deficiency is not corrected or is repeated.

- Advise the recipient that additional information or assurances will be required before acceptance of one or more of the certifications required for future CDBG projects.
- Advise the recipient to suspend or terminate expenditure of funds for a deficient activity or grant.
- Advise the recipient to reimburse the grant in any amount improperly expended.
- Change the method of payment to the recipient from an advance basis to a reimbursement basis.
- Refrain from extending any further assistance to the recipient until such time as the recipient is in full compliance.

Section 6 - Grant Termination

The State may terminate all or part of a grant for failure to comply with the terms and conditions of the Grant Award Agreement, also referred to as Termination for Cause, or where there is mutual agreement to terminate the grant, referred to as Termination for Convenience.

Termination for Cause

Conditions under which Termination for Cause procedures will be initiated include the following:

- Statutory violations of the Grant Agreement resulting in a financial obligation to the State.
- Statutory violations with criminal penalties, such as fraud.
- Slow project performance after an adequate length of time to implement program activities and incur significant expenditures for project activities.
- Inability to comply with one of the three CDBG national objectives.
- Failure of recipient to comply with the Grant Agreement despite repeated previous warnings.

The recipient will be notified in writing of the State's intention to terminate the grant. The basis for proposed termination will be stated along with the identification of actions to be taken by the recipient to prevent termination of the grant. The State will also offer technical assistance in resolving the problems that are the basis for termination.

In some cases, the recipient will be given a specific timeline to respond to the proposed termination and present a plan or schedule of actions to be undertaken to avoid the termination. During this timeline, a Stop Payment may be issued. Failure to respond within the specific timeline could result in immediate termination of the grant. If a reasonable plan of action is submitted and approved, the recipient will be notified in writing of its approved implementation plan and the Stop Payment will be removed. The recipient will be closely monitored to ensure compliance. If the recipient again fails to adhere to its plan, it will be notified in writing that the grant will be terminated immediately.

Termination for Convenience

A grant may be terminated in whole or in part with the mutual consent of the State and the recipient. A recipient may submit written notification to the State of its decision to terminate the grant. The recipient must identify the reasons for such determination, the effective date, and in the case of partial termination, the portion to be terminated. The State, with the consent of the recipient, may initiate termination procedures after agreeing upon the termination conditions, effective date and amount.

Partial Termination

In the case of a partial termination for cause or convenience, if the remaining portion of the award will not accomplish the purpose for which the award was made, the State may terminate the entire award and require repayment of all, or any portion, of the funds expended in order to comply with Federal regulations and State policies.

In cases where termination occurs before construction begins, engineering or administrative costs incurred under CDBG may be reclassified as Planning expenses.

For partial termination, the recipient must complete a Final Request for Payment/Cash Balance Report documenting expenditures. (Refer to Chapter 3: Financial Management for this form.) Upon receipt of this form by Finance and verification by staff, financial close-out forms and reports will be generated. The financial close-out forms are submitted to the State for transmittal to the recipient. When the recipient has met all programmatic requirements, as verified through a monitoring by State staff, a CDBG close-out package is sent to the recipient. A Grant Award Adjustment form will be included in the close-out package. The recipient should complete this form showing the reduction of all or part of the grant funds. An authorized local official must sign the form and return it to the State with the close-out package. Refer to Chapter 13: Close-Out Process for more information on close-out procedures.

12: Reporting, Amendments and Monitoring Forms/Documents

Forms/documents referenced below are found on the State CDBG web site in the Forms/Amendment, Monitoring & Reporting section

Quarterly Reports

Quarterly Status Report, Q-1

EO-2 Annual Accomplishments Report for Direct Benefit Activities

P-1 Implementation Schedule

Completed P-1 Implementation Schedule Sample

CDBG Contract and Subcontract Activity Report (EO-1)

CDBG Contract and Subcontract Activity Report (EO-1) – Sample

Instructions for Contract and Subcontract Activity Report

Labor Standards Report

Annual Reports

Program Income Annual Report & Instructions

Project Amendments, Budget Revision & Extension Requests

Project Amendment Request

Cost Savings Plan

Request for Budget Revision/Project Period Extension

Monitoring

- CDBG Monitoring Summary