CH13

GRANT CLOSE-OUT PROCESS

Introduction

Upon completion of CDBG approved activities and/or the expenditure of all CDBG funds in conformance with program guidelines, the recipient enters the final phase in the grant management process known as grant close-out.

The close-out process encompasses a series of activities that together verify that CDBG funds have been properly spent, and that the recipient complied with all applicable rules and requirements in the implementation of its project. In addition, the timeliness with which the recipient completes the close-out process, and the content of the information presented during that process, is a factor in the evaluation of future applications for CDBG funds.

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.

These procedures outlined in this chapter must be followed to close out CDBG grants from the State.

Section 1 - Close-Out Procedures

Upon Finance's receipt and processing of the final Request for Payment (RFP), the close-out process will begin. A Flowchart for Final RFP Submission can be downloaded from cdbgSC.com to help recipients determine if they are ready to submit the Final Request for Payment and begin the close-out process. This information will help to eliminate processing delays due to premature submissions.

To initiate the close-out process, Finance will send financial documents and reports to the State CDBG staff, who will then transmit the documents to the grant recipient. The recipient will compile a grant close-out package that contains two parts – programmatic and financial – which are detailed below.

Programmatic Close-Out

Section I of the close-out package is the programmatic portion. It is made up of the following items:

- Grantee Final Performance Report, F1 – This report serves as a cover sheet or checklist for the various forms and documents that must be submitted to close-out a grant. It also serves as a final certification by an authorized official representative.
- Final EO-2 Activity and Beneficiary Report – This report requires the recipient to list activities from the approved grant application and the beneficiaries of each activity by income level, race/ethnicity, and type of household.
- Final EO-2 Applicant Report – This report is only required for direct benefit

activities (jobs, or water/sewer connections), and requires applicants to be listed by race and ethnicity.

- Performance Accomplishments – The recipient must complete this form, indicating the actual performance accomplishments and various details regarding the assistance. The specific details vary based on the type of project undertaken. This information is required by HUD's Integrated Disbursement and Information System (IDIS), the database used to draw funds and report activities.
- Public Hearing - The recipient must conduct a public hearing to discuss the project's accomplishments. The recipient must submit an affidavit or tear sheet to document publication of this public hearing notice (or evidence of posting of notice) along with the minutes of the meeting as part of the close-out package.

If proposed performance accomplishments were not met, or if there was a significant change in the accomplishments, a public hearing and/or a project amendment may be required (discuss with State CDBG Grant Manager).

In addition, the following steps must also be taken, as applicable, during the programmatic portion of the close-out process:

- The recipient must submit evidence of compliance with any special conditions in the grant award related to close out or performance. For example, the grant might have been conditioned that a final audited cost statement must be submitted at close-out.
- The recipient must submit a copy of the Permit to Operate (for applicable water and sewer projects) or Certificate of Occupancy (for buildings).
- The recipient must submit documentation of LMI benefit that has not been previously monitored.
  - For other direct benefit projects, submit copies of self-certifications or other documentation of LMI benefit.
- The recipient must submit certified "as built" drawings or a certified map showing the location and type of CDBG improvements with the close-out package. These will be reviewed and compared to the application and amendments to determine compliance with program requirements. Costs will not be reimbursed where changes have not been approved by the State. If requested by the recipient, these drawings will be returned upon completion of the close-out process.
- The recipient must submit a final waiver of liens from the contractor and any subcontractors.
- The recipient should submit in electronic format digital photos of the area, each unit or building assisted, etc. showing the property before and after improvements if available, or the completed improvements.
- Section 3 Labor hours Tracking Form- The recipient is required to report compliance with the requirements of Section 3 concerning labor hours worked by

Section 3 workers. The Section 3 Labor Hour Tracking Form must be submitted to the State as part of the grant close-out packet.

- The recipient must also submit any additional documentation or certifications that may have been required as a result of monitoring, such as a final audited cost statement or certifications of compliance.

Financial Close-Out

Section II of the close-out package is composed of the financial close-out documents. These documents include:

- De-obligated Budget Form
  - The recipient should review the De-obligated Budget Form sent to them by the State along with the accounting records for the project to ensure:
    - ◊ All funds have been disbursed in the local CDBG bank account(s).
    - ◊ Federal documented expenditures for each budget item agrees with the total expenditures for each budget item reflected in the accounting records. If not, make appropriate pen corrections on the de-obligated budget form.
    - ◊ Total actual documented expenditures itemized by Federal, Local and Other funds agree with the totals reflected in the accounting records. If not, make appropriate pen corrections on the form.
      - The de-obligated budget will show the total leveraging provided by the local government. Actual expenditures, donations, in- kind and volunteer amounts will be shown on this page. It is expected that the percentage of leveraging will remain the same, as competitive projects with additional leveraging received a scoring advantage in the selection process. If leveraging from the local government is reduced from the original amount, an explanation must be provided, and the grant cannot be closed until a budget revision is approved. Further, if the reduction is more than 10%, it could affect the capacity scoring for future projects.
      - If pen corrections exceed the latest approved budget (not the de-obligated budget), a Request for Budget Revision/Project Period Extension form must be submitted. (This form is provided in the forms for Chapter 12: Reporting, Amendments and Monitoring.)
    - ◊ If the pen correction includes local match, a budget revision is not required if documented match is not less than the latest approved local match budget.
  - An authorized official must sign the de-obligated budget form to certify that the reported expenditures (inclusive of any pen corrections) are correct.
- Grant Award Decrease for Close-out form – If, despite prior amendments,

budget revisions and cost-savings plans, project costs still run under budget and all CDBG funds are not expended (total project costs are less than the amount specified in the grant award), a Grant Award Decrease for Grant Close-out Form must be submitted as part of the close-out package. This will reduce the grant award to reflect actual CDBG costs. When the recipient and/or other entities are funding an activity along with CDBG funds, to the extent it is allowable, the cost savings should be prorated among all funding sources. The Grant Award Decrease for Close-out form must be completed and signed by the appropriate officials.

- Equipment Control Record Form – This form must be completed if any non-expendable property was purchased with CDBG funds. (See Chapter 3: Financial Management for more information.)

In addition, the following steps must be taken by the recipient during the financial portion of the close-out process:

- All interest earned on the CDBG main bank account, less the $100 per year for administrative expenses, must be returned to Finance. The check must be made payable to HUD with the grant number denoted on the check.
- If applicable, any interest earned on the escrow account, less service charges, must also be returned to Finance with a check made payable to HUD and the grant number denoted on the check. (See Chapter 3: Financial Management for more information on escrow accounts.)
- Recipients establishing a revolving fund with CDBG program income must submit local revolving fund guidelines to the State for review prior to the expenditure of such funds and prior to close-out.
- A "Grant Close-out Agreement for CDBG Projects Not Having Submitted a Final Audit" form must be submitted. The purpose of this document is to have the recipient acknowledge, by the signature of its authorized local official, that the grant is being closed out pending the submission of a final Single Audit, if required, and that it will comply with all audit requirements associated with receiving CDBG funds from the State. (This agreement is provided in the forms for this chapter. Refer to Chapter 3: Financial Management for more information on audit requirements.)
- Finally, the recipient must also clear all findings from monitoring reports before the grant may be de-obligated and closure of the grant.

Submittal, Review and Approval of the Close-Out Package

Upon receipt of the close-out package, recipients have forty-five (45) days to complete and return the close-out package to the State. The State will send a follow-up letter to the recipient within one week of the expiration of the forty-five days if the completed close-out package has not been received.

> Failure to close-out grants in a timely manner could jeopardize the receipt of future grants.

Upon receipt of the complete package by the State, the financial portion of the package will be forwarded to Finance for review/processing.

The programmatic portion of the package is reviewed by the State to ensure that the recipient has met program objectives and that projected levels of benefit were achieved and all documents have been submitted.

After the programmatic and financial portions of the package have been approved, a close-out letter is mailed to the recipient. There are four different close-out letters that a recipient might receive:

1. Final Close-out (no audit required),
2. Close-out pending receipt and approval of audit,
3. Close-out pending beneficiaries or performance measures and receipt of approval of audit, or
4. Close-out pending beneficiaries or performance measures (no audit required).

Letters two, three and four require one or more additional steps to be completed after the close-out package has been approved. These steps are discussed below.

Section 2: Post Close-Out Requirements

If the recipient receives a close-out letter pending submittal of an audit, it must have a Single Audit conducted in accordance with OMB requirements. (See Chapter 3: Financial Management for more information.) **Finance must receive the audit within nine months of the end of the recipient's fiscal year**.

The audit will be reviewed by Finance to ensure that the recipient has met all financial requirements. Once the audit has been approved and the programmatic close-out has been achieved, a final close-out letter and the Final Close-Out form will be sent to the recipient. The recipient must retain all program records plus the Final Close-Out form for a period of not less than three years after close-out of the HUD allocation to the State. 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 the returned or recaptured funds. Grantees will be notified by the State via letter when this occurs.

If the recipient receives a programmatic close-out letter pending documentation of beneficiaries, it is required to do the following:

- The recipient must submit a CDBG Quarterly Status Report (Q-1) until the recipient is able to certify that the required numbers of jobs/beneficiaries have been created, and the State has monitored the project to verify these benefits.
- When the recipient has documented final beneficiaries or met its job creation requirement, it must submit the Final EO-2 Activity and Beneficiary Report.
- The recipient must also submit an audit, if required, in accordance with the instructions detailed previously in this section.

If all other documentation, including an audit, has been received, a Final Close-Out form will be issued.

Chapter 13 - Grant Close-Out Process Forms

Forms/documents referenced below are found on the State CDBG web site under Forms/Closeout of Grants section

- Grantee Final Performance Report (F1)
- Performance and Accomplishment Report
- Final EO-2 Activity and Beneficiary Report
- Final EO-2 Applicant Report
- Final EO-2 Sample and Instructions
- Grant Award Decrease for Closeout
- Equipment Control Record Form
- Grant Close-Out Agreement