

Chapter 14: Project Closeout

Introduction

As CDBG-DR grant funds are fully spent and the project is completed, the subrecipient must begin the process of closing out a project. This chapter provides information to recipients on the project closeout process and requirements. The chapter details the steps to complete each task involved in closeout and provides the forms necessary to do so.

CDBG-DR regulations require the grant between DLG and HUD to be closed within 6 years. Therefore, timely closeout with subrecipients will be a key factor in DLG meeting that deadline.

Section 14-A: Overview of the Closeout Process

Upon completion of CDBG-DR funded activities, in accordance with program guidelines, the subrecipient enters project closeout, the final phase in the grant management process. In this phase:

- City or County subrecipients will hold a public hearing and submit a final report.
- Other subrecipients will work with DLG to hold a public hearing and submit a final report.

The final report will verify that CDBG-DR funds have been properly spent and that the subrecipient has complied with all applicable rules and requirements during the implementation of its program.

The CDBG-DR closeout process consists of several other key steps, including:

- ✓ Completing and obtaining approval of the Project Completion Report (PCR) and backup documentation; and
- ✓ If applicable, submittal of an audit and resolution of any audit findings.

It is important to note, however, that the closeout process cannot be fully completed until certain other conditions have also been met. These conditions include:

- ✓ A CDBG national objective must have been met;
- ✓ Final payments have been made and reconciled;
- ✓ There must be no outstanding compliance review findings on the project;
- ✓ Any real property acquired has been disposed of according to the CDBG requirements and 2 CFR Chapter I and II, Parts 200, 215, 220, 225 and 230; and
- ✓ All required audits have been approved (refer to Chapter 3: Financial Management and Program Income).

2 CFR 200.311 (c) and 200.307(d)

Chapter 3: Financial Management
and Program Income

Economic development projects must also have met the necessary job creation/retention and investment requirements. Refer to Small Business Grant Program policy for more information on job creation/retention and investment requirements.

Section 14-B: Public Hearing

A second public hearing prior to project closeout, in accordance with the CDBG-DR citizen participation requirements. (The first public hearing is held before submission of the grant application.)

The purpose of the hearing is to advise citizens of the progress made during the grant and pending closeout of the project. The hearing must be advertised in accordance with state law, which requires notification seven to 21 days prior to the date of the hearing in the newspaper of largest circulation in the jurisdiction. The advertisement must notify the citizens that the grant is nearing closeout and invite them to submit comments.

A sample closeout public hearing advertisement is provided as Attachment 14-1 to this chapter.

Attachment 14-1:
Sample Closeout Public Hearing
Advertisement

In addition, steps must be taken to:

- ✓ Ensure participation from low- and moderate-income (LMI) persons,
- ✓ Provide handicapped accessibility, and
- ✓ Accommodate non-English speaking people.

City and County subrecipients must conduct the meeting for their communities. Other subrecipients will coordinate with DLG for the public hearing. The subrecipient must indicate that all comments from citizens were considered or, if applicable, cite reasons for rejection of comments. The subrecipient must also file comments and responses in the citizen participation and closeout files (see Chapter 1).

Chapter 1:
Project Administration

Section 14-C: Project Completion Report

All subrecipients are required to submit a Project Completion Report (PCR) (see Attachment 14-2a & b). This submission signifies that all grant activities are complete, beneficiaries have been served, other funds have been invested and, if applicable, jobs have been created or retained. It also includes information on the applicability and status of audits.

Attachment 14-2a & b:
Project Completion Report

Completing the PCR

The PCR includes nine parts:

- ✓ **Certification:** This section serves as a cover sheet with space for the subrecipient to certify compliance with the grant agreement, and for DLG to certify approval of the PCR.
- ✓ **Financial Summary:** Information on each activity, accomplishments, budget, expenditures, unpaid obligations and national objectives must be included in this part of the form. This form also requires information about other funds invested in the project.
 - The investment of other funds must be documented in project files in order to demonstrate that all financial elements of the project have been accomplished.

- Documentation may take the form of loan agreements, construction contracts, invoices, payrolls, cancelled checks, etc.
- For economic development projects, a certification from the company’s treasurer and president may suffice for the documentation.
- The subrecipient’s accounting system should clearly show the infusion of these funds into the project.
- ✓ **Project Benefit Profile by Person:** This section of the PCR requires information on the beneficiaries of projects by specific demographic and income categories.
- ✓ **Project Benefit Profile by Household:** This part of the PCR is for housing projects only and requires information on beneficiaries of housing projects by specific demographic and income categories. Note that beneficiaries in this case are reported at the household level rather than at the individual level.
- ✓ **Job Creation/Retention:** This matrix requires subrecipients to report the projection versus actual number of jobs created both overall and for LMI persons specifically. There is also space for the subrecipient to describe any factors that impacted the actual number of jobs created or retained.
- ✓ **Audit Information:** The audit portion of the PCR requires the subrecipient to supply information on the amount of CDBG-DR expenditures by fiscal year as well as the total amount of federal awards in each fiscal year and whether an audit is required and has been submitted to the appropriate parties. Refer to Chapter 3: Financial Management for more information on audits. Chapter 3: Financial Management
- ✓ **Unpaid Costs and Unsettled Third Party Claims:** This part of the PCR requires the subrecipient to list and explain any unpaid obligations and unsettled third-party claims resulting from the CDBG-DR project.
- ✓ **Housing Unit Address Information:** This portion of the PCR requires that subrecipients that received KCDBG-DR funds for housing activities provide the addresses of all housing units assisted.
- ✓ **Public Facilities Activities:** This portion of the PCR requires that subrecipients that received CDBG-DR funds for public facilities activities to provide a detailed project description including linear feet, pump stations, and other documentation as listed in the PCR.
- ✓ **Section 3 Compliance –** This portion of the PCR requires that subrecipients provide the Section 3 compliance information for projects triggering the Section 3 requirements. Reporting will include the total labor hours for the project, Section 3 labor hours, and Targeted Section 3 labor hours. The subrecipient will be required to certify that they have followed the prioritization of outreach effort and report qualitative efforts made to comply with the Section 3 requirements.

In addition to the PCR form itself, there are several additional documents that must be submitted with the PCR as part of the closeout process:

- ✓ Evidence of the public hearing including a tear sheet of the notice, copy of the minutes and a copy of the sign-in sheet/list of attendees;
- ✓ Copy of written comments received on the performance of the subrecipient as well as the subrecipient’s assessment of the comment and a description of any action taken or to be taken in response to the comment;

- ✓ For all projects with any unspent program income, work with your DLG grant manager to receipt it back to DLG after project close-out.
- ✓ For housing projects that have eliminated LMI housing stock, and in accordance with Chapter 8, submit an updated One-For-One Replacement Summary Grantee Performance Report form (also known as the HUD 4949.4) Chapter 8: Relocation
- ✓ Final Duplication of Benefits (DOB) paperwork in accordance with chapter 10. Other requirements as stated in the CDBG-DR program policy including but not limited to the amount of time the subrecipient will monitor for compliance with the Subrogation Agreement. Chapter 10: Duplication of Benefits
- ✓ Final verification that green building requirements have been achieved per the program policy

Section 14-E: Notice of Completion and Closeout Letter

After reviewing and approving the Project Completion Report, DLG will send the subrecipient a letter stating that the PCR has been approved. If all other requirements have been fulfilled and the project is ready to be closed, DLG will also issue a Notice of Completion or Closeout Letter to the subrecipient. Note that a project cannot be closed out if there are any required audits outstanding or unresolved audit findings pertaining to the use of CDBG funds (refer to Chapter 3).

Section 14-E: Record Retention

Once the project has received final closeout, the subrecipient is required to retain all records pertaining to the project for a minimum of five years from the closeout of the project. Refer to Chapter 1: Project Administration as well as the other chapters of this handbook and the applicable regulations for more information on the records that must be maintained.

Chapter 1: Project Administration

Section 14-F: Change of Use of Real Property Restrictions

The CDBG regulations at 24 CFR 570.489 (J) contain provisions regarding changing the use of real property within the subrecipient's control that was acquired or improved, in whole or in part, with \$150,000 or more of CDBG-DR funds. These provisions require that the property be maintained for the original eligible use and continue to meet a national objective for at least five years after grant closeout.

HUD has imposed alternative requirements for 24 CFR 570.489 (J). The change expands the entities that must abide by this regulation. The requirement for CDBG-DR funds only is:

The standards described in this section apply to real property within the state, local governments, or Indian tribes (either as subrecipients or through a method of distribution), or other state subrecipient's control (including activities undertaken by subrecipients) which was acquired or improved in whole or in part using CDBG-DR funds in excess of the threshold for small purchase procurement (2 CFR 200.88). These standards shall apply from the date CDBG-DR funds are first spent for the property until five years

after closeout of the 'state, local governments, or Indian tribes (either as subrecipients or through a method of distribution), or other state subrecipient's grant.

(1) A state, local governments, or Indian tribes (either as subrecipients or through a method of distribution), or other state subrecipient may not change the use or planned use of any such property (including the beneficiaries of such use) from that for which the acquisition or improvement was made, unless the state, local governments, or Indian tribes (either as subrecipients or through a method of distribution), or other state subrecipient provides affected citizens with reasonable notice of and opportunity to comment on any proposed change, and either:

(i) The new use of the property qualifies as meeting one of the national objectives and is not a building for the general conduct of government; or

(ii) The requirements in paragraph (j)(2) of this section are met.

(2) A state, local governments, or Indian tribes (either as subrecipients or through a method of distribution), or other state subrecipient determines, after consultation with affected citizens, that it is appropriate to change the use of the property to a use which does not qualify under paragraph (j)(1) of this section, it may retain or dispose of the property for the changed use if the state, local governments, or Indian tribes (either as subrecipients or through a method of distribution), or other state subrecipient's CDBG-DR program is reimbursed or the State's CDBG program is reimbursed, at the discretion of the State. The reimbursement shall be in the amount of the current fair market value of the property, less any portion of the value attributable to expenditures of non-CDBG-DR funds for acquisition of, and improvements to, the property, except that if the change in use occurs after grant closeout but within 5 years of such closeout, the state, local governments, or Indian tribes (either as subrecipients or through a method of distribution), or other state subrecipient shall make the reimbursement to the State's CDBG-DR program account.

(3) Following the reimbursement of the CDBG-DR program in accordance with paragraph (2) of this section, the property no longer will be subject to any CDBG-DR requirements.