

Chapter 7 – Project Monitoring and Closeout

Overview

Grantees are responsible for administering their CDBG projects in accordance with all applicable state, federal, and program requirements. Commerce is responsible for ensuring that CDBG Grantees carry out their projects in accordance with these requirements.

Commerce monitors projects from start-up through closeout, working with Grantees and their administrators to meet compliance requirements.

Commerce Project Specialists help ensure Grantee compliance in the following ways:

- Training provided through webinars, toolkits, and workshops
- On-going -on-one technical assistance provided by an assigned Project Specialist
- Mandatory project file review with Commerce to ensure all required documentation is in the Grantee's project file prior to closeout

Commerce staff monitor each project through regular contact with the local project manager and through the receipt of quarterly progress reports (refer to the “Request for Reimbursement” toolkit for guidance) submitted from contract execution through project closeout.

Grantees must make their records available to authorized agents of state government.

Commerce must be provided reasonable access, during normal business hours, to all books, accounts, records, reports, and files pertaining to CDBG-funded activities. Under Montana law, Grantees must also provide members of the public reasonable access to records regarding the use of CDBG funds.

On-Site Project Monitoring

In addition to reviewing information submitted with Quarterly Update Reports and Progress Reports submitted along with each Request for Reimbursement, Commerce will also

schedule at least one on-site monitoring visit to each CDBG project site. Commerce will attempt to monitor projects in person and visit the project site twice if possible:

- Once during project start-up (usually in conjunction with the pre-construction conference or other start-up meetings)
- A second time, during the early phase of construction activities

This is a structured review conducted on-site where project activities are being carried out and/or where project records are maintained. Commerce staff use a formal monitoring checklist, CDBG Project Monitoring Guide (see the “Project Monitoring and Closeout” toolkit on the CDBG website).

Prior to a monitoring visit, Commerce will contact the grant administrator to discuss the timing and scope of the monitoring visit. Each on-site project monitoring visit involves a one or two-day visit to the community to:

- Provide technical assistance
- Review records
- Inspect the community's progress in completing the project activities
- Meet with the project manager, local officials, and citizens involved in the project

The CDBG Project Monitoring Guide covers the key requirements discussed in this manual and serves as the format for Commerce review of local projects.

On-site monitoring visits may include an informal recap of the file review with local officials and staff to discuss any outstanding issues identified. Commerce may describe their tentative conclusions and indicate the level of concern, if any. Commerce will discuss issues they intend to address in the formal monitoring letter. The overall goal of Commerce is to assist Grantees in achieving timely and effective grant management.

Monitoring Letter

Within 30 days of the monitoring visit, Commerce will provide a monitoring letter to the Grantee. Commerce will provide technical assistance to the Grantee to avoid or resolve any

monitoring findings. Copies of the letter will be sent to both the Grantee's chief elected official and grant administrator. The monitoring letter will contain the following general elements:

- A description of each topic covered during the monitoring visit, files reviewed, Commerce staff who conducted the review, and the date(s) during which the on-site review occurred.
- A brief description of any statutory or regulatory requirement at issue and an explanation of the documentation examined pertinent to the requirement.
- The conclusions the reviewer has reached identified as Satisfactory Performance, Concern, Question of Performance, or Finding, as described below.
- A statement that describes the basis for the conclusion(s).
- Commerce's monitoring report will use the following designations when less than satisfactory administration is observed:

Satisfactory Performance

- **What is it:** All documentation reviewed during the monitoring was found to be satisfactory regarding all statutory and regulatory requirements.
- **Grantee Response Required:** None.

Concern

- **What is it:** An issue that does not involve a statutory or regulatory requirement but may involve management or programmatic improvement/consideration arises during the monitoring. Commerce may suggest a modification of an administrative procedure or policy.
- **Example:** The Project Specialist cannot locate documentation for a draw.
- **Grantee Response Required:** None.

Question of Performance

- **What is it:** A question of whether a violation of a statutory or regulatory requirement has occurred is raised and an informal discussion does not resolve the outstanding issue.

- **Example:** A Grantee's subrecipient does not post the required Labor Standards documentation at the job site and the Grantee did not communicate the requirement to the subrecipient.
- **Grantee Response Required:** Yes. Commerce will ask the Grantee to provide additional information as requested by Commerce within 30 days of the monitoring letter.

Finding

- **What is it:** A specific and identifiable violation of a statutory or regulatory requirement is identified and it cannot be resolved.
- **Example:** The Grantee did not include Form HUD-4010 when procuring for a contractor and the construction has completed.
- **Grantee Response Required:** Commerce will ask the Grantee to provide a corrective action plan as to how to avoid the specific mistake for future grants within 30 days of the Commerce monitoring letter. Corrective actions should be designed to:
 - Prevent a continuance of the violation
 - Mitigate any adverse effects or consequences of the violation to the extent possible
 - Prevent a recurrence of the same or similar violation

At all times, Commerce will offer technical assistance to Grantees to avoid or resolve any monitoring concerns, questions of performance and findings. Commerce's goal is to work with Grantees to identify acceptable solutions for resolving or avoiding a violation. The Grantee will need to respond to each issue with reasonable and adequate solutions of its choice. Commerce will determine the adequacy of a corrective action and provide technical assistance, as needed, to ensure all issues are resolved.

Project Closeout Overview

Project closeout is the process by which Commerce determines that all applicable administrative actions and all work required by the grant have been completed in accordance with the terms and conditions of the CDBG contract.

All the information needed to complete the closeout requirements should exist within the project files. The ease with which Grantees can complete the closeout requirements usually depends on the extent to which the Grantee has maintained accurate and up-to-date records and files.

Three steps are required for closing out the CDBG grant:

1. Completing a Project Completion Report
2. Determining and meeting the Project Audit Requirements
3. Completing the Closeout Forms and Certifications

Quarterly reports are not required after the Project Completion Report has been submitted to Commerce.

Grantee Closeout Responsibilities

Prepare a Project Completion Report

Projects Other Than Planning Grants

Within 60 days following the completion of the CDBG-funded project activities and after all funds except for the final closeout audit are expended, grant recipients must submit a Project Completion Report to their CDBG Project Specialist.

The Project Completion Report should consist of a narrative with charts and tables (where applicable) to provide all the information required, including:

- Progress on each funded activity described in the CDBG contract
- The extent to which the completed activity served to accomplish the state and national program objectives cited in the application
- The extent to which program benefits were provided to LMI persons and members of protected groups
- Local efforts to encourage fair housing, equal employment, and/or business opportunities (Section 3 compliance) through the expenditure of CDBG dollars

- Compliance with DBA labor provisions
- Any other evidence of program performance, including letters from assisted recipients or other citizen comments

Commerce will review the Project Completion Report and respond **within 90 days**.

Commerce may conduct a final on-site monitoring visit prior to project closeout. This visit may be waived if the project has been monitored previously and found to be in substantial compliance.

CDBG Planning Grants

Within 60 days following the completion of the CDBG funded planning grant-related activity, Grantees must submit the final request for reimbursement. One copy of the final CDBG funded product (as outlined in the Commerce contract) must be submitted with the draw accompanied by appropriate documentation, including invoices.

Determine Final Audit Requirements

When the project reaches the closeout stage, the Grantee must determine which audit option for the project -- either an organization-wide audit or separate audit -- applies to their project. This is done by compiling data on the total amounts and types of federal financial assistance funds received by the governmental entity during the term of the CDBG project. (For a detailed explanation of audit thresholds and requirements, allowing you to determine which type of audit you must complete, please see Chapter 5.)

Complete Closeout Forms and Certifications

Procedure for Projects Required to Have Organization-Wide Audits

Those CDBG projects which find that they must comply with the Single Audit Act and the provisions contained in [OMB Uniform Guidance](#) and compliance supplements (and conduct an organization-wide audit) must:

1. Request conditional closeout approval from Commerce
2. Submit Certification of Completion and Final Status of Funds Report for CDBG funds and Certification of Completion and Final Status of Funds Report for all other project funding

3. Provide Commerce the date of the next organization-wide audit.

- a. All audits must comply with the audit requirements referenced above.

Commerce will retain two percent (2%) of the total authorized grant amount. A reasonable amount of the unexpended CDBG funds will be reserved by Commerce from the balance remaining after all activities are completed in order to pay the percentage of the total audit cost of the next organization-wide audit that is applicable to the CDBG project.

After the required project is audited, the Final Closeout Certification must be resubmitted (with a corrective action plan in response to the audit, if applicable).

Commerce will review this certification report and will approve a final closeout if all documents are acceptable and all adverse findings in the audit report are resolved. The Grantee must provide information necessary to determine the cost of the audit that was conducted.

If final closeout has been approved, Commerce will release funds equal to the audit cost to the Grantee. Any remaining CDBG funds will be retained by Commerce. If insufficient funds exist to cover the final audit cost, the Grantee must pay the difference.

If the review of the grant balance indicates that drawdowns exceeded actual program expenditures, Commerce will require the Grantee to reimburse the state the excess amounts.

For any unsettled third-party claims against CDBG funds, the Grantee must resolve the claims and submit a revised 13-C Certification Report.

Records Retention After Final Closeout is Approved by Commerce

All records related to grant activities must be available on request and maintained by the CDBG Grantee for five years after the date of final closeout approval by Commerce.

Procedures For Project Required to Have Separate Project Audits

Grantees found to be exempt from the Single Audit Act must arrange for a separate audit through the Local Government Services Bureau.

After the required separate project audit is completed, the Grantee must submit the Certification of Completion and Final Status of Funds Report (see the “Project Monitoring and Closeout” toolkit) and include the audit cost in the total funds expended. This report must be submitted with original signatures to the project's CDBG Project Specialist for approval. After review and approval, Commerce will then release remaining funds equal to the audit cost to the Grantee. Any remaining balance will be retained by Commerce. If insufficient funds exist to cover the final audit cost, the Grantee must pay the difference.

Program Income

Program Income is defined as any income earned by a Grantee from a CDBG supported activity, such as, repayments of principal or interest to a local revolving loan fund program generated by housing rehabilitation or economic development activities. As further established in the contract, a “Program Income Plan” will need to be developed for those project activities that could generate program income.

As part of project start-up activities, Grantees must review the “Program Income Plan” submitted with the grant application and ensure that it accurately reflects the local government’s current plans to administer any program income funds received. Please contact your Project Specialist for guidance if your project uses or intends to generate program income. Please consult our “Program Income Manual” for specific guidance related to program income and/or revolving loan programs. Disregard this requirement if it does not apply.

Closeout Exhibits

To get the area-wide / indirect benefits data from the Census, consult Commerce’s [Census and Economic Information Center](#).