

SECTION E: MONITORING AND CLOSEOUT

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MONITORING AND CLOSEOUT

MONITORING OF LCDBG PROGRAMS BY THE STATE

The LCDBG staff will conduct desktop monitoring of the grant when 25 percent of the grant amount has been expended. This “desktop” monitoring will be conducted by Office of Community Development - Local Government Assistance (OCD-LGA) staff utilizing documents that are requested by letter from the grantee. The grantee will have two weeks from the date of the request to submit the documents to OCD-LGA.

Additionally, the LCDBG staff may schedule an on-site monitoring visit with the grantee at any time to review the program performance. Generally, visits are scheduled when 50 percent of the grant amount has been expended and after the desktop monitoring process has been completed. A visit may be a comprehensive program evaluation, or it may be oriented toward assessing performance in specific areas. In either case, the grantee should provide the state staff with all records and files pertaining to the program, as well as any other information requested. Before the LCDBG staff leave the community, they will discuss their findings with the grantee in an exit conference; it is desirable that the chief elected official be present for this conference. The LCDBG staff, to the extent possible, will work with the grantee on-site to correct any problems. Any problems that cannot be corrected will be addressed in the subsequent monitoring letter.

Following the monitoring visit, the State will send a letter that identifies both the positive and negative findings of the monitoring review. [Exhibit E-1](#) (Sample State’s Monitoring Letter) provides an example. It is important to note that very serious findings could affect the potential for future funding.

The State generally allows 30 days to correct and respond to the findings of deficiency noted in the letter (Sample Response to State’s Monitoring Letter, [Exhibit E-2](#)). The corrective actions should follow the recommendations made by the LCDBG staff. State staff will then inform the grantee if its response is sufficient to clear the findings. All monitoring findings must be cleared prior to grant closeout.

[Exhibit E-3](#) and [Exhibit E-4](#) contain the monitoring checklists that the LCDBG staff utilize when monitoring LCDBG programs. [Exhibit E-5](#) is a questionnaire that is sent to local governments at the time desktop monitoring is conducted; it must be completed in its entirety, signed by the local government’s chief elected official, and returned to the OCD-LGA with any requested documentation.

NOTE: These checklists and questionnaire were current at the time this handbook was prepared; however, they are revised continuously to reflect changes in state and federal regulations.

PREPARING THE PROGRAM COMPLETION REPORT

Upon completion of the project, the grantee must take the steps necessary to close out its program. The program cannot be closed out until the improvements/construction undertaken with grant funds is in full operation. For example, a program involving a sewage collection and treatment system cannot be closed out until the households are connected to the system, and the system is fully functional.

All grantees are required to submit a Program Completion Report when all activities are complete. The forms which comprise this report are shown in [Exhibit E-6](#). The instructions for the completion of each form in this report are also provided.

When preparing these forms, the following general guidelines should be kept in mind:

- Identify activities on the forms exactly as they are identified in the contract or as established by any program amendments.
- Provide current data on obligated and expended amounts by activity. In most instances, the amount obligated will be the same as the amounts expended.
- Make sure that the rows and columns of figures subtotal accurately on all tables.
- Identify methods used to determine beneficiaries.
- Submit one copy of the report to the OCD-LGA.
- Submit three copies of the Certificate of Completion, all of which have original signatures.

As part of the Completion Report, the grantee must prepare three Certificate of Completion forms, all of which have original signatures. This form summarizes all costs incurred by the program that were paid for with LCDBG funds. If grant funds received exceed grant costs, the amount of excess grant funds received must be repaid to the State.

The State also requires a Certificate of Occupancy, if applicable, and a clear lien certificate prior to closing out the program.

Exhibit D-5 Section 3 Final Labor Hours Report must be completed by the Prime Contractor and all sub-contractors and submitted to the grantee at project completion. The Report must be submitted to OCD-LGA before the final contractor payment can be made.

Upon receipt of the Certificate of Completion, OCD-LGA will check for excess grant payments, and when applicable, make any necessary adjustments to the LCDBG account. OCD-LGA will also review funds earmarked for the payment of unpaid costs and unsettled third party claims(i.e., retainage). These costs must be clearly identified on the Certificate of Completion. The entry must include the amount, entity owed, and use of funds. If unsettled third party claims were included, upon resolution of these claims, the grantee must submit a revised Certificate of Completion for state review before the project can receive a final closeout.

When the State considers the closeout documents to be complete and in order, the grantee will be notified in writing of such. In most instances, a grantee will receive conditional closeout prior to receiving a final closeout. Conditional closeout is issued when all audit/monitoring findings have been cleared, the Program Completion Report has been accepted, the final disposition of funds is accepted by the State, a clear lien certificate has been issued, and a Final Wage Compliance Report has been accepted. **All final payment requests and supporting documentation must be received by OCD-LGA within 60 days of the date of the Conditional Closeout letter.** Generally, a conditional closeout is given prior to a final closeout because all financial reports/audits covering the expenditure of the total LCDBG funds have not been received. In such instances, upon receipt and acceptance of the final audit, final closeout is issued by the State. Prompt closeout of the grant is desirable since the State views it as an indicator of local capacity. Delays in program closeout may be indicators of poor performance and can influence the State's review of subsequent applications.

For various reasons, grants can be terminated after LCDBG funds have been requested, received, and expended prior to the completion of the project. In such instances, the local government must prepare a Certificate of Completion and submit it to the OCD-LGA as part of the closeout process. A Certificate of Completion is not necessary when no LCDBG funds have been expended.

RETENTION OF RECORDS

All grant records, including financial records, must be retained by the grantee for a period of three years following the closeout of the State's grant with HUD. Therefore, the State will notify the grantee at the time when it is appropriate to destroy the grant records.

AUDIT AND FINANCIAL REVIEW FINDINGS

Under the provisions of the Uniform Grant Guidance, a single audit is required whenever the amount of federal financial assistance (LCDBG program funds plus all other federal financial assistance, both direct and indirect) expended in a fiscal year is equal to or exceeds \$750,000. For further guidance, see [Section A: Program Administration, Audit Process](#). One of the purposes of audits is to perform a compliance review of the recipient of federal funds with federal and state program requirements. When an auditor finds an area of non-compliance with program requirements, they are required to make a supplemental report of findings and/or questioned costs. Grant recipients should ensure that their responses are included in the audit report. The OCD-LGA reviews all audit reports to ensure audit findings are addressed. Examples of audit findings and questioned costs are found in [Exhibit E-7](#). A sample response is found in [Exhibit E-8](#).

SANCTION POLICY

This policy describes the types of administrative actions that can be taken by the OCD-LGA in cases of improper or inadequate performance by recipients of LCDBG Program grants. In each instance, to the extent possible under the circumstances, the action taken will be intended, first, to prevent a continuation of the deficiency; second, to mitigate any adverse effects or consequences of the deficiency; and third, to prevent a recurrence of the same or similar deficiencies.

TYPES OF DEFICIENCIES

A deficiency is an instance of non-performance of activities or non-compliance with requirements set forth in the contract between the State of Louisiana and the recipient of LCDBG funds. Examples of deficiencies include, but are not limited to, the following:

- Failure to clear monitoring findings within 120 days of the issuance date by the OCD-LGA. Desktop monitoring as well as an on-site monitoring visit (for the purpose of assuring the grantee's compliance with the federal and state requirements governing the LCDBG Program) may be conducted as a matter of routine monitoring or whenever problems come to the attention of the OCD-LGA. Following the monitoring, a letter is written to the grantee which identifies findings of deficiency as well as findings of merit, the corrective action required to clear findings of deficiency, and a target date for the accomplishment of the corrective actions. Upon receipt and review of the grantee's response, the OCD-LGA determines whether the response is sufficient to resolve the findings. If any monitoring findings are not properly resolved by the initial target date, the grantee is advised of such and is assigned a second target date for the clearance of those findings. All monitoring findings not resolved by the second target date remain open until resolved.

- Failure to file reports as required or failure to file reports within established timeframes. Such reports include but are not limited to the Minority Business Report, financial reports, and closeout documents.
- Failure to resolve an audit finding within 120 days of the issuance date by the OCD-LGA.
- Incurring costs for ineligible activities in accordance with state and federal regulations.
- Lack of continuing capacity to administer the LCDBG program.
- Failure to execute approved activities in accordance with the implementation schedule included between the State and the grantee.
- The implementation of program changes without prior written approval from the OCD-LGA.

NOTICE OF DEFICIENCY

The first step in the corrective procedure is for the OCD-LGA to send a written Notice of Deficiency to the grantee. The notice will describe the deficiency specifically and objectively, actions the grantee must take to remedy the deficiency along with a deadline for doing so, and the consequences for failure to remedy the deficiency (e.g., administrative sanctions or legal action).

SANCTIONS

If the deficiency remains uncorrected, one or more sanctions will be imposed. The choice of the sanction(s) to be issued is governed by the objectives identified in the introduction, the type of deficiency, and the seriousness of the deficiency. Possible sanctions include, but are not limited to, the following:

- Required administrative change. For example, if the consultant administering the program is doing a poor job, but the grantee has the continuing capacity to administer the grant, the grantee may be required to discharge the consultant and engage someone else to administer the program.
- Suspension of grant payments.
- Reduction of grant amount.
- Termination of grant.
- Reimbursement of costs disallowed by the OCD-LGA.
- Disqualification from consideration for other LCDBG funds. The criteria for disqualification shall be consistent with, but not limited to, the State's threshold requirements for funding.
- Legal action pursued by the State.

If the grantee does not address the cited problem after having been sanctioned, additional sanctions may be imposed, or the matter may be referred for legal action.

APPEALS

The grantee may appeal any imposed sanctions through the following process:

1. The grantee must submit a written request for an appeal within 10 working days after the written notice of sanction has been received.

2. A written decision shall be rendered within 10 working days of receipt of the request for appeal unless additional time is agreed to by the recipient.

DURATION OF IMPOSED SANCTION

The OCD-LGA will maintain a sanction list of those sanctions which render the grantee ineligible for additional grant awards. The list will identify the grantee, a brief description as to why the sanction was imposed, and what steps must be taken to remove the sanction.

The sanction will remain in effect until the deficiency has been corrected or for no more than 10 LCDBG program years with the following exception: Sanctions involving LCDBG funds which were expended for ineligible activities as identified in the federal statute or regulation cannot be excused unless those funds have been repaid to the State or a satisfactory arrangement for the repayment of those funds has been made, and payments remain current. The grantee will be advised in writing when the sanction has been lifted.

[24 CFR 570.482\(a\)](#)

[2 CFR 200 Subpart E](#)