Community Development

CDBG

Block Grant

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Office of COMMUNITY & RURAL AFFAIRS

OCRA

Indiana Office of Community and Rural Affairs

Community Development Block Grant – Disaster Recovery: Sullivan

Program Policies and Procedures

VERSION POLICY

Version history is tracked in the Version History Table below with notes regarding version changes. Dates of each publication are also tracked in this table.

Substantive changes in this document that reflect a policy change will result in the issuance of a new version of the document. For example, a substantive policy change after the issuance of Version 1.0 would result in the issuance of Version 2.0, an increase in the primary version number. Non-substantive changes such as minor wording and editing or clarification of existing policy that do not affect interpretation or applicability of the policy will be included in minor version updates denoted by a sequential number increase behind the primary version number (i.e., Version 2.1, Version 2.2, etc.).

VERSION HISTORY

Change Date	Version Number	Summary of Change
03.23.2026	1.0	Housing Policies and Procedures created.
09.21.2026	2.0	Manual reorganized. Policies and Procedures added for all non-housing programs, including Infrastructure, Economic Revitalization, Blight Elimination, Planning, and Mitigation Set-Aside.

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1. INTRODUCTION

1.1. PURPOSE OF THIS MANUAL

The purpose of this manual is to provide clear, comprehensive, and practical guidance for the administration and implementation of the State of Indiana's Community Development Block Grant – Disaster Recovery (CDBG-DR) program funded under the 2025 allocation for the 2023 severe storm disaster declaration.

This manual serves two primary functions:

- Ensuring the State and its subrecipients (Grantees) comply with all statutory and regulatory requirements and all guidance issued by the U.S. Department of Housing and Urban Development (HUD) applicable to the associated CDBG-DR allocation.
- Providing eligible unit of general local government (UGLG) applicants and Grantees with clear expectations, required procedures, and program rules necessary to successfully implement CDBG-DR funded activities.

This manual will be updated periodically to reflect changes in federal regulations, HUD guidance, or State requirements.

1.2. DISASTER HISTORY AND FUNDING ALLOCATION

In March 2023, Indiana experienced severe weather, including tornadoes and flooding, that caused extensive damage across multiple counties. The impacts were significant, affecting infrastructure, housing, and the local economy. On April 6, 2023, Governor Eric J. Holcomb requested an expedited major disaster declaration for affected counties, which was approved by the President on April 15, 2023.

Since that time, the State has worked to leverage available resources from federal, state, and local partners, including the Federal Emergency Management Agency (FEMA) and the U.S. Small Business Administration (SBA), to support response and recovery efforts.

On December 21, 2024, Congress passed the Disaster Relief Supplemental Appropriations Act of 2025 (Public Law 118-158), appropriating over $12 billion in CDBG-DR funding to support long-term recovery in areas impacted by qualifying disasters that occurred in 2023 and 2024. Effective January 21, 2025 HUD allocated **$7.663 million** to the State of Indiana for the March 2023 severe weather disaster. These funds are intended to supplement other assistance and to be used to address remaining unmet need after all other funding sources, including federal assistance and private insurance, have been exhausted. HUD's allocation identified the Most Impacted and Distressed (MID) area as ZIP code 47882, which includes the City of Sullivan and surrounding areas of Sullivan County.

The Office of Community and Rural Affairs (OCRA), which serves as the State's administrative agency for the CDBG program under IC 4-4-9.7-6, administers Indiana's CDBG-DR program.

1.3. SCOPE AND APPLICABILITY

This manual applies to the State of Indiana (including OCRA and other supporting agencies involved in CDBG-DR administration); CDBG-DR applicants, Grantees, and UGLGs eligible to apply for CDBG-DR funding; subrecipients; contractors; consultants; any other parties participating in delivery of CDBG-DR assistance; and beneficiaries receiving direct CDBG-DR assistance.

This manual governs program eligibility, application requirements, administrative requirements, compliance, reporting, environmental review, procurement, financial management, monitoring, closeout, crosscutting requirements, and mitigation integration.

This manual expands upon the CDBG-DR Action Plan and Financial Management and Grant Compliance Certifications, providing supplemental guidance on program application and implementation requirements.

This manual may also reference additional resources and guidance, including HUD and OCRA policy notices; the OCRA CDBG Handbook; and supplemental, resources, templates, and forms. OCRA will also provide additional guidance and technical assistance as necessary to ensure comprehensive understanding of program requirements.

This manual and all additional CDBG-DR resources may be updated as appropriate to comply with OCRA program updates and updated HUD guidance. UGLGs must check regularly for updates and should contact OCRA's CDBG inbox at cdbg@ocra.in.gov for questions or assistance requests.

1.4. ROLES AND RESPONSIBILITIES

1.4.1. Lead Agency and Supporting Divisions

The Office of Community and Rural Affairs (OCRA), under oversight of the Lieutenant Governor, is the primary agency responsible for administering all aspects of the CDBG-DR program.

The State recognizes that effective administration of the CDBG-DR program in full compliance with statute, regulation, and program guidance requires the engagement of a comprehensive team of professionals throughout all phases. This include program development, stakeholder engagement, distribution of funds, grant administration, compliance oversight, technical assistance, monitoring, and closeout.

As the State's primary agency responsible for the administration, oversight, and implementation of CDBG-DR, OCRA will coordinate all program activities. This includes ensuring compliance with Federal requirements, developing and disseminating program resources, and directly engaging with grantees, their designated representatives, and other relevant stakeholders.

The Office of the Lieutenant Governor provides OCRA with centralized support through its integrated Central Business Office. The Central Business Office includes the Grant Services Division, which ensures compliance with all federal and state requirements related to CDBG-DR, and the Accounting Division, which manages fiscal administration of CDBG-DR funds, including processing draws and payouts.

The following staff will support the administration of the CDBG-DR program:

Office of Community and Rural Affairs	
Fred Glynn	Executive Director
Megan Zarazee	Chief Operating Officer
Steven St. John	CDBG Program Director
Quinn Kissane	CDBG Program and Policy Manager/ **CDBG-DR Program Manager**
Tanaha Peton	CDBG Senior Program Manager
Erica Gummere	CDBG Program Manager
Johnny Kincaid	Southwest Regional Community Liaison

Lieutenant Governor's Central Business Office	
Adam Moschell	Director of Grant Services
Timothy Parthun	Policy Advisor
Alissa Ferguson	Grants Manager
Bryce Gorman	Grants Manager
Katherine Johantges	Grants Manager
Travis Lee	Grants Manager
Mitzi Moss	Controller

1.4.2. Grantees, Subrecipients, and Contractors

Grantees must comply with:

- All relevant federal requirements
- All policies in this manual
- Subrecipient agreement terms
- Performance, reporting, and annual monitoring for five years after closeout

Contractors must comply with:

- Procurement rules
- Labor standards (where applicable)
- Debarment checks
- Contract performance terms
- CDBG-DR recordkeeping requirements

2. PROGRAM-SPECIFIC REQUIREMENTS

2.1. OVERVIEW

2.1.1. General Program Requirements

The goal of the CDBG-DR program is to support the continued stability and long-term recovery of the disaster-impacted community. Activities funded through the programs should address the community's unmet needs and mitigation needs.

All CDBG-DR programs administered under this must manual adhere to the following overarching principles:

- **CDBG-Eligible Activity:** All projects must be CDBG-eligible activities under the Housing and Community Development Act and 24 CFR Part 570 (as modified by waivers and alternative requirements in the Universal Notice).
- **National Objective:** All projects must meet a CDBG National Objective.
- **LMI Priority:** A minimum of 70% of CDBG-DR funds must benefit low- and moderate-income (LMI) persons.
- **Mitigation Integration:** The CDBG-DR allocation includes an additional 15% ($1 million) Mitigation-Set Aside that is required to be used for mitigation activities. All construction activities must incorporate mitigation measures to increase resiliency and reduce future hazard impacts. Projects may also consist of stand-alone, mitigation-only activities.
- **Tieback:** Unless funded under the Mitigation Set-Aside as a stand-alone mitigation project, all recovery activities must tie back to the impacts of the 2023 disaster.
- **MID Targeting:** At least 80% of funds must be spent within the HUD-identified MID area (City of Sullivan/Sullivan County – ZIP code 47882).
- **Citizen Participation:**
- **Duplication of Benefits:** All awards must follow strict Duplication of Benefits (DOB) determination processes.
- **Additional Program and Crosscutting Requirements:** CDBG-DR Grantees must adhere to all program and crosscutting requirements, including requirements for acquisition, anti-displacement, procurement, financial management, environmental review, conflict of interest, fraud prevention, monitoring, and recordkeeping.

CDBG-DR is subject to waivers and alternative requirements issued under the Universal Notice. Where conflict exists between standard CDBG requirements and CDBG-DR waivers, **CDBG-DR rules govern.**

2.1.2. Eligible Grantees

Eligible CDBG-DR applicants and Grantees must be legally recognized **non-entitlement UGLGs** located in the HUD MID area (ZIP 47882) that have legal capacity to operate the applicable program. All UGLGs must engage an **OCRA Certified Grant Administrator** for application development and award management.

Grantees may have no more than three (3) open CDBG-DR grants for cities/towns and 4 for counties at application submission. Grantees must not have unresolved audit findings, overdue closeouts, or civil rights complaints.

2.1.3. Authority and Regulatory Framework

Indiana's CDBG-DR program must comply with:

- The Housing and Community Development Act (HCDA) of 1974
- The Robert T. Stafford Act

- The Universal Notice (FR–6489–N–01) and subsequent HUD DR policy notices
- State CDBG Regulations at 24 CFR Part 570
- Environmental Review Regulations (24 CFR Part 58)
- Uniform Administrative Requirements, Cost Principles, Audit Requirements (2 CFR Part 200)
- Crosscutting federal requirements, including:
  - Civil rights
  - Lead-based paint
  - Floodplain management
  - The Uniform Relocation and Real Property Acquisition Policies Act (URA)
  - Anti-fraud provisions
  - Procurement standards

2.1.4. Programs and Allocations

CDBG-DR programs and funding allocations are as follows:

Eligible Cost Category	CDBG-DR Allocation
State Administration (5% cap)	$383,150
Homeowner Occupied Property Enhancement Program	$2,500,000
Disaster Recovery Infrastructure Program	$3,000,000
Economic Revitalization Program	$200,000
Blight Elimination Program	$400,000
Planning Program	$179,850
Mitigation Set- Aside Program	$1,000,000
Total	**$7,663,000**

Detailed program descriptions and requirements can be found in the subsections.

2.2. HOMEOWNER OCCUPIED PROPERTY ENHANCEMENT (HOPE) PROGRAM

2.2.1. Purpose

The Homeowner Occupied Property Enhancement (HOPE) Program provides CDBG-DR funds to assist eligible owner-occupied households in repairing, rehabilitating, reconstructing, or replacing homes damaged by the March 2023 severe weather disaster. All activities restore safe, decent, sanitary housing, address unmet needs, and incorporate mitigation measures to reduce future hazard risk within the HUD-designated MID ZIP code 47882.

Award Structure

- Maximum HOPE award to Grantee: **$1,000,000**
- Individual homeowner awards are based on verified duplication of benefits (DOB) analysis and remaining unmet need.
- The cost-to-beneficiary ratio is waived.

- Reconstruction projects require a 5-year affordability period (insurance + occupancy).
- Flood insurance must be maintained where required; noncompliance may affect future federal disaster eligibility.

2.2.2. National Objective Compliance

HOPE exclusively meets the **LMH – Low- and Moderate-Income Housing** national objective.

Grantees must:

- Verify household income at ≤80% AMI (up to 120% AMI allowed for displacement/urgent need with OCRA approval).
- Document race, ethnicity, disability status, and familial status for reporting.
- Maintain complete income certification files.

2.2.3. Eligible Activities

HOPE supports the following housing activities:

- Rehabilitation of owner-occupied single-family homes
- Reconstruction of homes deemed infeasible for rehabilitation
- Reconstruction with elevation
- Replacement of owner-occupied mobile/manufactured homes

Eligible rehabilitation activities include:

- Structural envelope repairs (roof, foundation, windows)
- Electrical, plumbing, HVAC repairs
- Mold, asbestos, and lead remediation
- Accessibility improvements when needed
- Other permanent repairs necessary to make the home decent, safe, sanitary, and resilient

2.2.4. Ineligible Activities

Ineligible and prohibited activities include:

- Luxury upgrades (granite, premium fixtures, decorative elements)
- Solar systems, water purification systems, spas, pools
- Central vacuum systems, recreational equipment
- Activities fundable by FEMA or USACE
- Awarding assistance to second homes
- Non-disaster-related repairs
- Luxury improvements
- Work performed without environmental review
- Activities reimbursable by FEMA or USACE

2.2.5. Tieback to Disaster

All HOPE activities must tie back to the March 2023 severe weather disaster. Acceptable documentation includes:

- FEMA letters (any determination)
- SBA application

- Insurance claims
- Photographs of damage
- Contractor/adjuster estimates
- Documentation of neighborhood-level impacts

2.2.6. Program-Specific Requirements

A. Application Requirements

UGLGs must:

- Engage an OCRA Certified Grant Administrator
- Demonstrate MID eligibility
- Certify compliance with program rules, procurement, and cross-cutting requirements
- Ensure no more than 3 open DR grants (cities/towns) or 4 (counties) at application submission
- Provide documentation of prior DR planning where required

Beneficiary applications must:

- Use the OCRA HOPE application packet
- Include identity verification for all household members
- Include all tieback documentation

B. Eligible Beneficiaries

Households must meet all criteria:

- Property located in ZIP 47882
- Single-family owner-occupied detached structure
- Disaster damage verified
- Primary residence at time of event and currently (unless displaced)
- Current legal ownership
- Current on taxes and mortgage; no reverse mortgage
- No active bankruptcy or foreclosure
- Flood insurance maintained when required

Grantees must collect:

- Household income level and AMI percentage
- Race and ethnicity of head of household
- Familial status
- Disability status
- Evidence of neighborhood impact (e.g., adjacent property damage)

HOPE beneficiary files must include:

- Eligibility documentation
- Tieback documentation
- Income certification packet
- DOB worksheet + subrogation agreement
- Lead hazard documents

- Flood insurance proof
- Mitigation measure documentation
- Before/after photos
- Final inspection and warranty documentation

Income Verification:

HOPE uses:

- HUD CPD Income Calculator
- Household tax returns, SSA statements, W-2s
- Printed certification signed by grantee staff and beneficiary

Income exceptions (up to 120% AMI) require OCRA approval and explanation.

C. Mitigation Requirements

Mitigation measures must be included.

Rehabilitation:

- Follow HUD CPD Green Building Retrofit Checklist
- Use ENERGY STAR, WaterSense, and FEMP products

Reconstruction:

- ENERGY STAR compliant
- Hazard-resistant construction (wind, flood, structural)
- Elevation per FFRMS (2 ft above BFE; 3 ft for critical actions)

Mitigation Data for DRGR Reporting:

- Resilience measures
- Elevation/mitigation specifications
- Expected performance outcomes

D. Duplication of Benefits

See Section 4.1 for universal DOB policy.

HOPE-specific requirements:

- DOB worksheet required for every household
- Third-party verification pursued whenever available
- Subrogation agreement required
- Contractor fraud amounts are not counted as DOB (with required police report + proof of payment)

Beneficiary certification required at intake and closeout.

E. Documentation Requirements

Beneficiary files must contain:

- Eligibility verification

- Income certification
- Tieback documentation
- DOB worksheet and certification
- Environmental compliance documents (Tier I + Tier II)
- Lead hazard documents (Lead-001/002/003)
- Flood insurance proof
- Scope of work and inspections
- Before/after photos
- Warranty documentation (for reconstruction)

F. URA / Anti-Displacement

URA applies only when tenants are present.

HOPE-specific notes:

- Owner-occupied homeowners are not "tenants" under URA
- Tenant temporary relocation assistance must follow RARAP and Section 3.7
- Permanent displacement is rare but must comply with full URA requirements

G. Program Workflow

Typical workflow steps:

1. Application intake
2. Eligibility + tieback + DOB + income review
3. Tier I/Tier II environmental review (see Section 3.6)
4. Procurement of contractors
5. Housing inspection & scope development
6. Construction
7. Mitigation verification
8. Final inspection + warranty documentation
9. Closeout certification

H. Monitoring

OCRA will monitor:

- Income verification
- DOB compliance
- Environmental review completeness
- Lead-safe compliance
- Mitigation incorporation (elevation, hazard-resistant materials)
- Procurement compliance
- Warranty enforcement

See Section 3.11 for cross-cutting monitoring requirements.

I. Environmental Review

- Tier I and Tier II environmental reviews required
- Lead hazard screening must be completed during Tier II

- Site contamination analysis required
- No procurement or construction prior to ER completion

HOPE-specific ER considerations include:

- Lead hazard screening
- Floodplain analysis
- Site contamination analysis

HOPE must comply with universal Part 58 rules; see Section 3.6.

J. Floodplain and Lead-Safe Requirements

Floodplain, Elevation & Insurance Requirements:

- Elevation:
  - 3 feet above BFE for critical actions
  - 2 feet above BFE for non-critical actions
- **NFIP Good Standing:** Grantee must verify community participation
- **Flood Insurance:** Required for all SFHA homes
- **Deed Restriction:** Required warning future owners of flood assistance prohibition if insurance lapses

Lead-Safe Housing:

- Screening required for every HOPE property built before 1978
- Abatement or interim controls as needed (must use licensed professionals)
- Clearance examination required before re-occupancy

See **Section 3.6.6** and **3.8** for details.

K. Monitoring

OCRA will monitor:

- Income and DOB documentation
- Environmental review completeness
- Lead compliance
- Procurement of contractors
- Mitigation measures and elevation requirements
- Warranty requirements (5-year post-construction)

2.2.7. Cross-Cutting References

HOPE relies on the cross-cutting policies in **Section 3**, including:

- Environmental Review (Section 3.6)
- Procurement (Section 3.5)
- Financial Management (Section 3.4)
- Timeliness & Performance (Section 3.3)
- URA (Section 3.7)
- Lead-Based Paint (Section 3.8)

- Monitoring (Section 3.11)
- Recordkeeping (Section 3.12)
- DOB (Section 4.1)

These requirements apply universally to all programs unless otherwise stated.

2.3. DISASTER RECOVERY INFRASTRUCTURE PROGRAM (DRIP)

2.3.1. Purpose

The Disaster Recovery Infrastructure Program (DRIP) provides CDBG-DR funds to address unmet recovery and mitigation needs for public infrastructure and public facilities within HUD-identified MID areas of Sullivan County (ZIP code 47882). The program supports projects essential for community resilience, continuity of services, and long-term recovery from the 2023 severe weather disaster.

DRIP enables communities to:

- Restore or upgrade damaged infrastructure
- Reduce vulnerability to future disasters
- Integrate mitigation measures into all construction scopes
- Support safe, functional, and resilient public facilities
- Address critical systems essential for health, welfare, and community stability

2.3.2. Eligible Activities

DRIP supports a wide range of infrastructure and public facility activities, including:

Water, Wastewater & Sewer Infrastructure

- Collection and distribution line repairs or upgrades
- Lift stations
- Treatment plant upgrades
- Influent/effluent systems

Stormwater Management

- Flood prevention systems
- Drainage improvements
- Green infrastructure elements
- Inflow/infiltration reduction

Drinking Water

- Distribution improvements
- Elevated storage tanks
- Treatment facility improvements

Public Facilities

- Rehabilitation of public facilities (libraries, community centers)
- ADA improvements
- Emergency shelters or upgrades

Main Street Revitalization & Historic Preservation

- Streetscapes
- Facade improvements
- Sidewalks, lighting, accessibility
- Preservation of historic buildings

Other Eligible Activities

- Infrastructure-strengthening activities under 24 CFR 570.201
- Clearance, acquisition, or remediation linked to infrastructure functions
- Integration of mitigation measures in any eligible construction activity

2.3.3. National Objective Compliance

DRIP may meet any of the three national objectives:

1. LMI Area Benefit (LMA)

Project benefits a service area where >51% of residents are LMI.

2. Slum/Blight (SBA)

Eligible where predominant infrastructure conditions meet IC slum/blight definitions.

3. Urgent Need (UN)

HUD waivers allow DRIP to use Urgent Need where:

- Conditions pose an immediate health/welfare threat
- Conditions recently became urgent (within 36 months)
- Alternative funding is unavailable
- Disaster tieback is established

2.3.4. Program Requirements

Projects must:

- Tie back to the 2023 disaster
- Demonstrate unmet need
- Include mitigation measures required under DRIP
- Be shovel-ready within required timelines
- Meet procurement requirements prior to construction
- Comply with environmental review before any choice-limiting actions

DRIP does **not** impose per-beneficiary cost caps and does not set income limits (except where project type requires LMH or LMA documentation).

2.3.5. Mitigation Requirements (DRIP-Specific Additions)

DRIP requires additional infrastructure-specific mitigation measures aligned with FEMA hazard mitigation plans and engineering best practices, including:

Structural Mitigation

- Reinforced foundations

- Wind-resistant materials
- Water-resistant or flood-proofed components
- Critical facility hardening (e.g., treatment plant upgrades)

Functional Mitigation

- Backup power systems
- Redundancy in pumps, communications systems
- Energy-efficient upgrades using hazard-resistant technologies

Green & Natural Infrastructure

- Permeable pavement
- Bio-retention
- Vegetation buffers
- Natural drainage restoration

Community Shelter or Safe Areas

- Eligible when incorporated into public facility improvements.

All DRIP projects must report mitigation performance data in DRGR.

2.3.6. Environmental Review

DRIP has additional environmental considerations due to large-scale public infrastructure:

- **Floodplain Compliance:** All facilities located in SFHAs must demonstrate floodproofing or elevation (consistent with FFRMS).
- **SHPO Review:** Required for historic preservation or infrastructure affecting historic districts.
- **Permits:** Grantees must demonstrate ability to obtain all permits within 6–8 months.
- **Engineering Documentation:** Final engineering plans must be complete during FEPS.

No construction procurement or contracting may occur before Release of Funds.

2.3.7. Procurement Requirements (DRIP-Specific Additions)

DRIP-specific procurement additions:

- All construction must use **competitive sealed bid** procurement (IFB).
- Bid specifications must incorporate federal requirements (Davis-Bacon, Section 3, FFRMS).
- Engineering must be procured via RFQ (qualifications-based).
- Complex projects must include liquidated damages clauses for contractor performance.

2.3.8. Tieback to Disaster

Projects must demonstrate a clear connection to 2023 severe weather through:

- Infrastructure failure or overload during/after the storm
- Flooding or tornado impact on service area
- Indirect impact (e.g., infiltration into wastewater system due to storm damage)

Applications must document tieback through engineering reports, photos, FEMA/SBA data, or local hazard documentation.

2.3.9. Award Structure

- Maximum award per DRIP project: **$1,000,000**
- Minimum award: none (not a direct benefit program)
- No cost-to-beneficiary ratio applies
- Award amount may be modified by OCRA based on need, availability of other funding, or readiness

2.3.10. Documentation Requirements

DRIP grantee files must include:

- Application documents and threshold eligibility
- Engineering plans
- Permits and site control documentation
- ER documentation
- Procurement documentation
- Contractor eligibility verification (SAM.gov & HUD LDP)
- Mitigation documentation and DRGR reports
- Construction records (progress inspections, change orders)
- Closeout documentation

2.3.11. Monitoring Requirements (DRIP-Specific Additions)

DRIP-specific monitoring focuses on:

- Engineering compliance
- Construction progress
- Mitigation integration
- Labor standards enforcement
- Environmental permit compliance
- Timeliness (must complete construction within 18 months)

OCRA may initiate reprogramming if grantee is more than six months behind schedule.

2.3.12. Prohibited Activities

- Work not tied to disaster impact
- Improvements supporting private benefit without documentation
- Infrastructure expansions unrelated to mitigation or recovery
- Projects lacking capacity to meet permit or engineering requirements

2.4. ECONOMIC REVITALIZATION PROGRAM (ERP)

2.4.1. Purpose

The Economic Revitalization Program (ERP) provides CDBG-DR funding to support local businesses affected by the 2023 severe weather disaster. The program promotes the recovery of commercial activity, job retention, and long-term economic resilience in the HUD-identified Most Impacted and Distressed (MID) areas of Sullivan County (ZIP code 47882).

ERP aims to:

- Stabilize and support local businesses impacted by the disaster
- Preserve jobs, including those benefiting low- and moderate-income (LMI) persons
- Promote economic revitalization and long-term community recovery
- Support underserved communities with preexisting economic distress

2.4.2. Eligible Activities

ERP funds may be used for eligible economic development activities under 24 CFR 570.203–204, including:

1. Grants to For-Profit Businesses

Up to **$25,000 per business**, administered through local business assistance programs. Funds may be used for:

- Working capital
- Equipment and materials
- Interior repairs or improvements tied to disaster recovery
- Business stabilization or continuity measures

2. Assistance to Microenterprises

Eligible uses include:

- Capital improvements
- Inventory replacement
- Business interruption recovery

3. Other Economic Recovery Activities

OCRA may consider additional eligible economic development activities consistent with Section 105(a), as long as activities:

- Tie back to the disaster
- Address unmet economic need
- Comply with national objective requirements

2.4.3. National Objective Compliance

ERP projects may meet either:

1. Low-/Moderate-Income Job Creation (LMJ)

HUD has waived requirements at:

- 24 CFR 570.208(a)(4)(i)–(ii)
- 24 CFR 570.483(b)(4)(i)–(ii)
- 24 CFR 570.506(b)(5)–(6)
- 24 CFR 1003.208(d)

Documentation must include:

- Name of business
- Type of job created or retained
- Annual wages/salary

2. Limited Clientele (LMC)

- Used when business serves a specific population of LMI persons.

3. Benefits to Underserved Communities

- ERP incorporates Section III.D.7.a of the Universal Notice, directing resources toward businesses supporting underserved populations with pre-disaster economic distress.

2.4.4. Program Requirements

ERP must:

- Address remaining 2023 disaster impacts
- Demonstrate unmet economic need
- Document business eligibility and economic loss
- Verify DOB compliance
- Comply with cross-cutting procurement and environmental review rules for any construction-related activities

ERP funds **cannot** be used for businesses that received duplicative assistance.

2.4.5. Program Tieback

ERP projects must demonstrate tieback to the qualifying disaster through:

- Business interruption or loss caused by the storms
- Inventory or equipment damage
- Structural or access issues limiting business operation
- Reduced customer base due to infrastructure or housing impacts

Acceptable tieback documentation includes:

- Photographs
- Insurance claims
- FEMA or SBA documentation
- Business financial statements showing revenue disruption

2.4.6. Mitigation Requirements

ERP does not include mitigation measures.

Economic development activities may still incorporate optional mitigation strategies, but they are not required under the program.

2.4.7. Environmental Review

ERP-specific additions:

- ER required only when business assistance involves physical improvements
- Non-construction business grants typically qualify as **CENST** or **Exempt**

- Construction activities must comply fully with Part 58 and FFRMS floodplain rules

2.4.8. Procurement

ERP additions include:

- Other than procurement of the grant administrator, procurement required only if CDBG-DR funds purchase goods/services for a business as part of a UGLG-administered activity
- Professional services procured by the grantee must follow competitive RFP or RFQ rules
- Businesses receiving grants may use their own procurement methods unless the grantee is the purchaser

2.4.9. Award Structure

- Maximum ERP project award to a UGLG: **$200,000**
- Maximum business award: **$25,000**
- Minimum award: None (grant amounts based on need and DOB)
- OCRA may modify awards based on demonstrated unmet need or availability of other funding

2.4.10. Business Eligibility

Businesses receiving ERP grants must:

- Be located within 47882 ZIP code
- Demonstrate disaster-related loss or interruption
- Provide documentation of operating status before the storm
- Provide required financial information to verify need

Businesses must also cooperate with:

- DOB verification
- Job creation/retention reporting
- Certification of non-receipt of duplicative benefits

2.4.11. Duplication of Benefits

ERP-specific requirements:

- Full DOB analysis must be completed for each business
- Assistance must be reduced by insurance, FEMA, SBA, or other recovery funds
- Businesses must sign subrogation agreements
- DOB recapture policies apply if duplicative assistance is received after award

2.4.12. Documentation Requirements

ERP grantee and business files must include

- Business eligibility documentation
- Tieback documentation
- DOB worksheets and financial records
- National objective documentation
- Grant award agreements

- Procurement documentation (if UGLG-funded purchases occur)
- Project completion verification

2.4.13. Monitoring (ERP-Specific Additions)

ERP-specific monitoring topics:

- Verification of business disaster impact
- National objective documentation (LMJ or LMC)
- Business job creation/retention reporting
- Review of DOB calculations and eligibility
- Compliance with grant agreement terms

Noncompliance may result in repayment or loss of eligibility for future ERP or CDBG-DR funds.

2.4.14. Prohibited Activities

ERP funds may not be used for:

- Businesses without disaster tieback
- Activities creating exclusive private benefit without national objective compliance
- Reimbursement of costs eligible for FEMA/USACE funding
- Businesses with unresolved fraud or debarment issues

2.5. BLIGHT ELIMINATION PROGRAM (BEP)

2.5.1. Purpose

The Blight Elimination Program (BEP) provides CDBG-DR funding to acquire, demolish, clear, and remediate deteriorated, unsafe, abandoned, or uninhabitable residential, commercial, or industrial structures within the HUD-identified Most Impacted and Distressed (MID) area of Sullivan County (ZIP code 47882).

The purpose of BEP is to:

- Remove unsafe structures that pose threats to public health, safety, and long-term community resilience
- Address conditions of slum/blight worsened by or directly tied to the 2023 severe weather disaster
- Support disaster recovery through removal of structurally compromised buildings
- Enable future redevelopment or community use aligned with mitigation and resilience objectives

2.5.2. Eligible Activities

BEP may fund:

- Acquisition of deteriorated, abandoned, or unsafe residential or commercial structures
- Demolition and clearance of blighted structures
- Removal of hazardous materials (asbestos, mold, contaminated soil)
- Environmental remediation required to safely clear a site
- Disposal of demolition debris
- Site stabilization or restoration

Projects may include:

- Clearance of properties damaged by or made hazardous due to the 2023 severe storm event
- Removal of structures contributing to long-term community risk

2.5.3. National Objective Compliance

BEP exclusively meets the **Slum/Blight (Area or Spot)** national objective under 24 CFR 570.483(c).

To qualify:

- The targeted property must meet the definition of blight under **IC 36-7-1-3**.
- Conditions must significantly impair structural integrity, health, safety, or welfare.
- Structures may demonstrate deterioration such as:
  - Fire hazards
  - Structural failure
  - Abandonment
  - Code noncompliance
  - Environmental hazards

2.5.4. Program Requirements

Projects must:

- Tie back to the 2023 disaster impacts
- Document slum/blight conditions consistent with state law
- Include mitigation and soil restoration requirements
- Undergo full environmental review
- Follow procurement rules prior to contracting demolition work
- Demonstrate site control or ability to acquire the property
- Comply with asbestos, lead, and hazardous materials rules

2.5.5. Mitigation Requirements

Because BEP activities involve demolition, soil disturbance, and future redevelopment, BEP requires **additional mitigation measures** to reduce community risk and support long-term resilience.

BEP mitigation requirements include:

1. Soil Remediation & Enhancement

Before or after demolition, grantees must:

- Assess soils for contamination caused by deteriorated structures or disaster impacts
- Remediate contaminated soils
- Replace contaminated soil with clean fill where necessary
- Enrich soils with organic (native) materials

2. Erosion & Sediment Control

Grantees must incorporate:

- Silt fencing or sediment barriers
- Temporary erosion control practices
- Measures to prevent runoff into waterways

3. Conversion to Green Space (Recommended or Required as Appropriate)

Cleared lots may be:

- Converted to parks or community green space
- Stabilized with native vegetation
- Evaluated for use as permeable areas supporting stormwater mitigation

4. Future Redevelopment Requirements

Where redevelopment is planned:

- Site plans must integrate mitigation and resilience strategies
- Future structures must incorporate wind/flood-resistant design

5. Integration with FEMA Hazard Mitigation Plans

Mitigation strategies from the community's FEMA-approved Local Multi-Hazard Mitigation Plan may be added to the project.

2.5.6. Environmental Review

BEP projects require additional ER considerations due to demolition and potential contamination:

- **Asbestos Survey:** Required for all structures prior to demolition
- **Lead-Based Paint:** Disturbance must comply with lead safe housing rules
- **Air Quality & Dust Control:** Required per state demolition standards
- **Hazardous Materials Disposal:** Must follow state/federal disposal rules
- **Floodplain Compliance:** Required if parcel is located in SFHA

BEP activities may not begin until Release of Funds is issued.

2.5.7. Procurement Requirements

Demolition and environmental remediation require:

- Competitive sealed bid procurement
- Bid specifications including asbestos and hazardous materials requirements
- Contractor eligibility verification (SAM.gov + HUD LDP)
- Proper licensing for demolition, abatement, and disposal

Nonprofit partners must also comply with procurement standards when acting as subrecipients.

2.5.8. Tieback to Disaster

BEP applicants must demonstrate:

- Damage from the March 31–April 1, 2023 severe weather event, OR
- Conditions caused or worsened by storm impacts (e.g., structural failure, water damage, mold), OR
- Unsafe structures interfering with disaster recovery

Tieback documentation may include:

- Photos of damage
- Fire department or building inspector reports
- Insurance or FEMA documentation
- Structural engineer assessments

2.5.9. Award Structure

- Maximum BEP project award: **$400,000**
- Minimum award: none (not a direct benefit program)
- No per-beneficiary cap
- OCRA may adjust award based on scope, need, and availability of other resources

2.5.10. Documentation Requirements

Grantees must maintain (see Section B.12):

- Title and ownership documentation
- Slum/blight determination
- Tieback documentation
- Environmental review record (ERR)
- Asbestos survey reports
- Lead hazard documentation (if applicable)
- Procurement documentation
- Demolition permits and contractor licenses
- Debris disposal manifests
- Soil remediation documentation
- Photos: pre-demolition, during demolition, post-demolition

2.5.11. URA Requirements

URA applies **only** if:

- A tenant occupies a property being demolished
- Temporary relocation is required
- Permanent displacement occurs (expected to be rare)

Homeowners receiving demolition on owner-occupied structures are not URA tenants.

2.5.12. Monitoring

OCRA will review BEP projects for:

- Proper documentation of slum/blight conditions
- Compliance with hazardous materials requirements
- Proper procurement and contractor eligibility
- Tieback adequacy
- Mitigation strategy documentation
- Timeliness of demolition activities

Findings must be resolved within required timeframes.

2.5.13. Prohibited Activities

- Demolition of structures not meeting slum/blight criteria
- Improvements not tied to disaster recovery or mitigation
- Demolition of structures eligible for FEMA/USACE funding
- Activities without environmental clearance
- Activities causing future DOB conflicts

2.6. PLANNING PROGRAM (PP)

2.6.1. Purpose

The Planning Program (PP) provides CDBG-DR funding for eligible planning activities that support disaster recovery, mitigation, and long-term resilience in the HUD-identified Most Impacted and Distressed (MID) area of Sullivan County (ZIP code 47882). All funding is allocated on a **noncompetitive, first-served basis**, subject to threshold compliance and available resources.

The purpose of the Planning Program is to:

- Support development of plans that guide recovery, mitigation, resilience, and smart growth
- Enable communities to address long-term hazard exposure and chronic vulnerabilities
- Enhance the ability of communities to implement eligible DRIP, HOPE, BEP, and MIT projects
- Build local capacity where disaster impacts have outpaced available professional resources
- Demonstrate readiness to complete a planning project within 12 months

Planning funds **do not include construction costs** and are intended to prepare communities for subsequent recovery or mitigation investments.

Planning activities do **not** require FEMA-style tieback if they meet the mitigation definition or planning-only national objective waiver for states.

2.6.2. Distribution Model

The Planning Program is:

- Non-competitive
- First-come, first-served, subject to funding availability
- A single-stage application process

Applicants must comply with all minimum planning requirements established for the planning type.

2.6.3. Eligible Activity Types

CDBG-DR planning funds may be used for eligible planning activities under **24 CFR 570.205**, including:

1. Mitigation Planning

Activities may include:

- Comprehensive plans integrating hazard mitigation elements
- Land-use plans incorporating resilience and mitigation policies
- Site development plans integrating hazard mitigation standards

- Mitigation studies (flood, wind, stormwater, wildfire)
- Zoning or ordinance development supporting hazard-resistant growth

2. Resilience Planning

Activities may include:

- Hazard studies and risk assessments
- Infrastructure vulnerability assessments
- Adaptation strategies
- Floodplain management planning
- Integration of FEMA-approved Local Multi-Hazard Mitigation Plans

3. Other Eligible Planning Activities

May include:

- Community visioning related to disaster recovery
- Economic resilience analysis
- Public facility or housing assessments informing DRIP or HOPE
- Pre-construction feasibility studies (excluding final engineering)

Ineligible Activities:

- Final engineering or design for construction projects
- Activities not aligning with mitigation, resilience, or disaster recovery needs

2.6.4. National Objective Compliance

Planning-only grants may meet:

- LMA (Low/Moderate-Income Area)
- Slum/Blight
- Urgent Need
- Special planning-only national objective waiver under 24 CFR 570.208(d)(4) for state-administered planning grants

Planning grants are not required to meet the 70% LMI expenditure test individually but must support the grantee's overall strategy to meet this threshold.

2.6.5. Program Requirements

Planning activities must:

- Address the remaining recovery or mitigation needs of the MID area
- Demonstrate relevance to disaster impacts or long-term resilience
- Comply with procurement requirements in Section 3
- Comply with environmental review requirements in Section 3
- Be completed within **12 months** of award

OCRA may deny any planning applications lacking credible readiness or minimum planning requirements.

2.6.6. Integration with Other CDBG-DR Programs

Planning grants are designed to support and strengthen:

- DRIP project feasibility and infrastructure planning
- HOPE program housing strategy and mitigation planning
- BEP redevelopment and reuse strategy
- MIT hazard mitigation strategy alignment

A community's previously completed and OCRA-approved planning efforts may be required prior to submitting DRIP, HOPE, or BEP applications.

2.6.7. Mitigation Requirements

For planning activities, mitigation requirements are **conceptual or analytical**, not construction-based, and include:

1. Hazard Identification

Plans must evaluate relevant hazards such as flooding, tornadoes, wind, severe storms, and wildfire.

2. Vulnerability Assessment

Plans must document infrastructure, housing, or community assets at risk.

3. Resilience Integration

Planning documents must integrate:

- Floodplain management standards
- Energy efficiency standards
- Resilient building and land-use practices
- Community adaptation strategies

4. Alignment with FEMA Hazard Mitigation Plans

Planning efforts should incorporate or supplement FEMA-approved multi-hazard mitigation plans.

2.6.8. Environmental Review

Planning activities typically fall under:

- Exempt (§58.34)
- Categorically Excluded Not Subject (§58.35(b))

Planning activities that include **site-specific analysis** connected to future construction may require additional documentation, but do not trigger choice-limiting actions.

2.6.9. Procurement Requirements

Planning-specific procurement requirements:

- Planning consultants must be selected using competitive procurement
- RFQ or RFP must reflect planning scope and evaluation criteria
- Geographic proximity cannot be used as a scoring factor

2.6.10. Award Structure

- Maximum award per planning project: **$90,000**
- Minimum award: **$20,000**

Awards may be reduced based on readiness, scope, or availability of funding.

2.6.11. Documentation Requirements

Planning project files must include:

- Scope of work
- Procurement documentation
- Environmental review documentation
- Community participation records
- Draft and final planning documents
- Evidence of hazard identification and mitigation integration

2.6.12. Monitoring Requirements

Planning-specific monitoring includes review of:

- Quality and completeness of planning deliverables
- Proper procurement and contracting
- Timeliness of planning milestones
- Alignment with mitigation and resilience standards
- Compliance with grant agreement conditions

Planning projects are monitored through **desk review**.

2.6.13. Prohibited Activities

Planning funds may **not** be used for:

- Final engineering or design work
- Construction, demolition, or physical improvements
- Plans not related to disaster recovery, mitigation, or resilience
- Activities reimbursable by FEMA or USACE

2.7. MITIGATION SET-ASIDE PROGRAM (MIT)

2.7.1. Purpose

The Mitigation Set-Aside Program (MIT) provides CDBG-DR funding for activities that **increase resilience to disasters** and **reduce or eliminate long-term risk** of loss of life, injury, property damage, and suffering. MIT funds may be used for:

1. **Mitigation-only activities** that do **not** require tieback to the 2023 disaster; and
2. **Mitigation-integrated recovery activities** submitted under DRIP, HOPE, and Planning Programs that **do** tie back to the disaster.

The MIT Program enables communities in the HUD-identified MID area to pursue forward-looking mitigation projects or enhance recovery projects with robust hazard-mitigation components.

2.7.2. Authority & Regulatory Framework

This program is governed by:

- CDBG-DR Universal Notice (FR-6489-N-01) mitigation provisions
- HCDA Section 105(a)

- 24 CFR Part 570 (eligibility)
- Stafford Act Section 322 (Hazard Mitigation Planning)
- FEMA-approved Local Multi-Hazard Mitigation Plans
- 24 CFR Part 58 (Environmental Review)

MIT also incorporates cross-cutting requirements from **Section B**, including procurement, environmental review, DOB, URA, financial management, recordkeeping, conflict of interest, and monitoring.

2.7.3. Eligible Applicants (Grantees)

Eligible applicants include:

- Units of general local government located within HUD MID ZIP code 47882
- Nonprofit organizations assisting UGLGs in implementing mitigation activities

Applicants must:

- Meet all threshold criteria in Appendix A
- Utilize an OCRA Certified Grant Administrator
- Have no unresolved audits, monitoring findings, overdue reports, or civil rights complaints
- Demonstrate capacity to implement mitigation activities consistent with federal requirements

2.7.4. Eligible Activity Categories

The MIT Program funds two broad categories of activities:

1. Activities Without Disaster Tieback

These activities:

- Must meet the CDBG-DR definition of mitigation
- Must align with FEMA hazard mitigation plans
- Do not require 2023 disaster tieback

Examples include:

- Flood, wind, or storm mitigation projects
- Infrastructure hardening
- Redundancy for critical systems
- Resilience-focused land use or code adoption
- Planning activities meeting mitigation definitions

2. Activities with Disaster Tieback

These activities:

- Are submitted under DRIP, HOPE, or Planning Programs
- Tie back to the March 2023 disaster
- Integrate required mitigation measures within project scopes

Examples include:

- Elevated reconstruction of homes
- Hardening wastewater or drinking water facilities damaged by the disaster

- Stormwater improvements addressing 2023 flooding
- Resilient building retrofits for damaged public facilities

2.7.5. Mitigation Definition (Program Standard)

Activities must meet **one** of the following definitions adopted from the Universal Notice (FR-6489-N-01):

1. Mitigation-Only

Activities that:

- Increase resilience to disasters; AND
- Reduce or eliminate long-term risk of loss of life, injury, property damage, or hardship by **lessening the impact of future disasters.**

2. Mitigation Integrated into Recovery

Activities that:

- Address disaster impacts; AND
- Integrate mitigation measures required under HOPE, DRIP, or Planning Programs.

2.7.6. National Objective Compliance

MIT-funded activities may qualify under multiple national objectives:

- Low/Moderate-Income (LMI) — LMH or LMA
- Slum/Blight (SBA)
- Urgent Need (UN)

2.7.7. Program Requirements

All MIT activities must:

- Meet mitigation definitions
- Comply with environmental review requirements
- Comply with procurement requirements
- Demonstrate reasonable and necessary costs
- Include hazard identification and risk-reduction documentation
- Align with FEMA-approved local mitigation plans when applicable

Projects may be **direct benefit** or **indirect benefit**, depending on activity type.

2.7.8. Examples of Eligible MIT Activities

No Tieback Required

- Flood mitigation structures
- Stormwater improvements integrating green infrastructure
- Wildfire or wind resilience measures
- Hazard-resistant building upgrades for critical facilities
- Resilience-focused planning or code development

Tieback Required (Integrated with Recovery Programs)

Eligible DRIP, HOPE, or Planning activities that:

- Meet program-specific eligibility AND
- Integrate mitigation measures

Examples:

- DRIP: Hardening lift stations or treatment plants damaged during the storm
- HOPE: Reconstruction with elevation above BFE + mitigation standards
- Planning: Hazard mitigation studies, site development plans integrating resilience

2.7.9. Environmental Review (MIT-Specific Additions)

MIT-specific additions:

- All projects must document the **hazard** being mitigated
- ER must identify potential environmental impacts from mitigation activities
- Projects involving construction must comply with FFRMS elevation rules
- Planning-only mitigation activities must still undergo 24 CFR Part 58 categorization

2.7.10. Procurement Requirements (MIT-Specific Additions)

MIT-specific procurement additions:

- Procurement is required for engineering, planning, or construction using MIT funds
- Procurement must reflect specialized mitigation standards (e.g., hazard-resistant design criteria)
- Contractor eligibility verification is required (SAM.gov + HUD LDP)

2.7.11. Tieback Requirements (When Applicable)

Tieback is required only for:

- DRIP mitigation-integrated projects
- HOPE mitigation-integrated projects
- Planning projects tied to recovery

Tieback documentation may include:

- Disaster impact reports
- Damage assessments
- FEMA/SBA/insurance documentation
- Photographs or engineering reports

2.7.12. Award Structure

- Maximum MIT award: **$500,000**
- Minimum award: none
- MIT projects with **direct beneficiaries** require DOB and income verification (LMH)
- MIT projects serving **indirect beneficiaries** do not require income documentation

OCRA may adjust award amounts based on need, scope, feasibility, or overlap with other funding sources.

2.7.13. Household Eligibility (Direct Benefit MIT Activities Only)

For direct-benefit (e.g., mitigation-focused housing activities):

- Household income must be verified
- DOB analysis is required
- Subrogation agreements required
- Exceptions possible for accessibility accommodations

2.7.14. Documentation Requirements

MIT project files must include:

- Hazard identification and risk assessment
- Mitigation strategy description
- National objective documentation
- Environmental review record
- Procurement documentation
- DOB worksheets (for direct-benefit activities)
- Evidence of integration with FEMA mitigation plans (if applicable)
- Engineering or planning documents supporting mitigation measures

2.7.15. Monitoring (MIT-Specific Additions)

MIT-specific monitoring includes reviewing:

- Hazard identification and risk-reduction analysis
- Compliance with mitigation definitions
- Mitigation measure incorporation for DRIP and HOPE activities
- Alignment with local mitigation plans
- Documentation of resilience outcomes

2.7.16. Prohibited Activities

MIT funds may **not** be used for:

- Activities without hazard mitigation components
- Activities reimbursable by FEMA or USACE
- Activities that duplicate benefits
- Activities lacking national objective compliance
- Activities using mitigation definitions not aligned with FR-6489-N-01

3. CROSS-CUTTING POLICIES & PROCEDURES

3.1. OUTREACH, CITIZEN PARTICIPATION, AND PUBLIC COMMUNICATION

3.1.1. Purpose

This section establishes how the State and local units of government (LUGs) ensure meaningful outreach, transparent communication, and inclusive participation for residents—particularly low- and moderate-income (LMI) and disaster-impacted persons—in accordance with CDBG-DR requirements, the Universal Notice, and the State's Citizen Participation Plan.

3.1.2. Applicability

This subsection applies to:

- OCRA
- UGLGs applying for or administering CDBG-DR funds
- Subrecipients or contractors involved in program delivery

3.1.3. General Requirements

All applicants and grantees must comply with the State's Citizen Participation Plan, which ensures that:

- Program information is publicly accessible
- LMI persons and disaster-impacted residents can participate in decision-making
- Public hearings and notices meet required accessibility standards
- Feedback received from the public is documented and addressed
- Required public notices related to applications, amendments, and modifications are published in accordance with 24 CFR 570.486 and applicable state law

3.1.4. OCRA Outreach Methods

OCRA will provide high-level statewide outreach by publishing DR program information, notices, deadlines, and awards using the following channels:

- OCRA's CDBG-DR website
- The OCRA Calendar of Events
- OCRA's CDBG email distribution list
- State public information channels
- OCRA social media platforms (Facebook, X, Instagram, LinkedIn)

These platforms notify local governments, community stakeholders, and residents of available CDBG-DR funding opportunities, public comment periods, and upcoming program activities.

3.1.5. Local Government Outreach Requirements

Each applicant and grantee must conduct outreach appropriate to its community size, demographics, and MID area characteristics. Outreach must:

- Inform residents of planned CDBG-DR projects
- Communicate eligibility and application processes (for direct-benefit programs such as HOPE and ERP)
- Notify residents of public hearings and opportunities for comment
- Provide accommodations for persons with disabilities and those with limited English proficiency

Minimum outreach requirements for LUGs include:

- At least one public hearing during program development
- Publication of required public notices in a newspaper of general circulation
- Posting notices in public buildings and online (LUG websites, social media, community boards)
- Providing alternative formats upon request (e.g., large print)
- Maintaining documentation of all outreach materials, attendance, comments, and responses

3.1.6. Reaching Populations Affected by the Disaster

Because CDBG-DR is designed to prioritize disaster-impacted individuals, LUGs must ensure their outreach demonstrates reasonable efforts to reach:

- Survivors residing in HUD-identified MID ZIP code 47882
- Residents displaced by the disaster
- LMI households most likely to qualify for funding
- Small businesses affected by the disaster (ERP applicants)

Examples of acceptable outreach include:

- Posting materials in libraries, community centers, and local government buildings
- Partnering with community-based organizations
- Presenting at town hall meetings or community forums
- Sending direct mail or flyers to affected neighborhoods
- Coordinating with emergency management agencies who have contact lists
- Leveraging existing local alert systems or communication networks

3.1.7. Required Documentation

Grantees must retain:

- Copies of all public notices
- Evidence of publication (publisher's affidavits, screenshots, social-media timestamps)
- Attendance sign-in sheets
- Hearing minutes
- Public comments and responses
- Outreach materials (flyers, handouts, presentations)
- Documentation showing how outreach targeted disaster-impacted communities
- Any translations or accommodations provided

Documentation must be uploaded in the Grants Management System (GMS) as part of application and monitoring requirements.

3.1.8. Coordination With Citizen Participation Requirements

All planning and project development must demonstrate conformity with CDBG-DR citizen participation requirements, including:

- Clear communication of project purposes and benefits
- Transparent explanation of funding limitations
- Consideration and incorporation of public feedback
- Disclosure of alternative projects if community concerns are raised
- Written explanation of how comments affected final project design

3.1.9. Accessibility Requirements

All outreach must adhere to:

- Americans with Disabilities Act (ADA)
- Title VI Civil Rights Act
- Section 504 of the Rehabilitation Act

This includes providing:

- Interpreters, upon request
- ADA-compliant meeting locations
- Language access services where LEP residents are present
- Materials in accessible formats

3.1.10. HUD Monitoring Alignment

This subsection satisfies HUD monitoring requirements related to:

- Publication of policies and procedures
- Public information access
- Citizen participation
- Outreach to disaster-impacted persons
- Ensuring accessibility
- Transparency for program administration
- Documentation sufficient for monitoring exhibits that reference public notice, accessibility, and consultation

3.2. MITIGATION REQUIREMENTS (CROSS-CUTTING)

3.2.1. Purpose

Mitigation is a required component of Indiana's CDBG-DR programs. All eligible activities, whether recovery-focused or funded through the Mitigation Set, must reduce or eliminate long-term disaster risk and increase community resilience.

This section establishes universal mitigation requirements applicable to **all programs**, along with additional program-specific standards where required.

These requirements incorporate HUD's definitions of mitigation activities and OCRA's mitigation standards included in the Action Plan.

HUD defines mitigation activities as those that:

- Increase resilience to disasters and reduce or eliminate long-term risk of loss of life, injury, property damage, and hardship,
  OR
- Support recovery while integrating mitigation measures into project scopes.

All CDBG-DR programs must meet one or both forms of this definition.

3.2.2. Universal Mitigation Requirements (Apply to All Programs)

Requirement 1: Integrate Mitigation Measures into All Construction Projects

All construction, reconstruction, rehabilitation, and infrastructure improvements must incorporate mitigation measures appropriate to the activity type. Examples include:

- Risk assessment
- Use of resilient materials
- Reinforced foundations
- Elevation where appropriate

- Relocation of mechanical/electrical systems
- Drainage improvements
- Wind-resistant structural systems
- Green infrastructure
- Site development practices that reduce hazard risk
- Measures identified in FEMA-approved local Multi-Hazard Mitigation Plans

Requirement 2: Document Hazard Risk and Mitigation

All grantees must document:

- The relevant hazard(s) addressed
- How the project reduces future risk
- How mitigation measures were incorporated
- How the project supports long-term resilience in the MID area

This documentation must appear in the project file and GMS uploads.

Requirement 3: Ensure Mitigation Benefits Are Reasonable and Necessary

Mitigation activities and measures must:

- Be tied to a documented hazard
- Be cost-reasonable
- Be proportionate to the scale of the activity
- Demonstrate measurable resilience improvement (e.g., reduced flood risk or reduced future damage)

Requirement 4: Maintain Alignment with Hazard Mitigation Plans

Mitigation measures must consider the eligible local government's:

- FEMA-approved Multi-Hazard Mitigation Plan
- Comprehensive plan
- Land-use plan
- Floodplain ordinances
- Zoning codes
- Building codes

Projects should incorporate mitigation recommendations from these plans where feasible.

Requirement 5: Protect Critical Infrastructure

Since storm events caused widespread damage to critical utilities and facilities, projects involving critical systems must include enhanced mitigation measures:

- Additional elevation
- Backup systems
- Structural reinforcement
- Flood-resistant components
- Redundancy measures

Requirement 6: Demonstrate Long-Term Resilience Benefits

DRGR reporting will require quantifiable, measurable resilience indicators such as:

- Reduced risk of future flooding
- Improved structural integrity
- Reduced energy load
- Increased community adaptive capacity
- Lower exposure to severe weather impacts

3.2.3. Mitigation Requirements for All Construction and Building Projects

General Building Requirements

Grantees must ensure:

- Energy-efficient construction consistent with HUD standards
- Use of durable, hazard-resistant materials
- Reinforced building systems
- Compliance with floodplain management rules (24 CFR 55)
- Compliance with elevation requirements for critical and non-critical facilities

The elevation requirements included in your draft are incorporated into the universal standard:

- 3 feet above BFE for critical actions
- 2 feet above BFE for non-critical actions

Floodplain compliance and NFIP good standing requirements apply to all programs when a project site is in a Special Flood Hazard Area.

Green Infrastructure (Encouraged for all programs)

Grantees should use green infrastructure methods whenever possible:

- Permeable surfaces
- Bioretention and rain gardens
- Green roofs
- Natural drainage features
- Vegetation buffers

These measures support both mitigation and environmental sustainability.

3.2.4. Mitigation Requirements for Housing Projects (HOPE Program)

Housing activities must follow mitigation requirements specific to residential construction.

Rehabilitation (Non-Substantial Damage)

Rehabilitation must follow:

- HUD CPD Green Building Retrofit Checklist requirements
- Replacement of outdated systems with energy-efficient components
- Use of Energy Star, WaterSense, or FEMP-compliant products

Reconstruction

Reconstructed housing units must:

- Meet minimum ENERGY STAR energy efficiency standards

- Incorporate hazard-resistant construction techniques
- Elevate homes when in flood-prone areas
- Relocate utilities above known flood levels
- Include hardening measures for high-wind or tornado-prone zones

3.2.5. Mitigation Requirements for Infrastructure Projects (DRIP Program)

Infrastructure projects must incorporate mitigation strategies such as:

- Hazard-resistant design innovations
- Reinforcement of facilities (lift stations, treatment plants, water systems)
- Redundancy and backup power systems
- Wind-resistant and flood-resistant materials
- Drainage improvements
- Infrastructure-strengthening measures described in the Action Plan

DRIP activities must demonstrate how the improved infrastructure reduces future vulnerability and benefits the MID area's resilience.

3.2.6. Mitigation Requirements for Blight Elimination (BEP Program)

Mitigation strategies unique to demolition and clearance include:

- Contaminated soil remediation
- Erosion control measures
- Safe material disposal
- Restoration of land using native vegetation
- Conversion of cleared land into community green spaces
- Incorporation of hazard mitigation into future redevelopment plans

If redevelopment is proposed, it must also follow mitigation requirements.

3.2.7. Mitigation Requirements for Planning (PP Program)

Planning activities must:

- Integrate hazard mitigation principles
- Support adoption of mitigation-related plans, codes, or ordinances
- Advance alignment between land use, development, and hazard risk reduction
- Address risks identified in local hazard mitigation plans
- Support smart growth and long-term community resilience strategies

These activities count toward the mitigation set-aside when requirements are met.

3.2.8. Mitigation Requirements for the Mitigation Set-Aside (MIT Program)

The Mitigation Set-Asides funds activities that:

- Do not require tieback to the 2023 disaster,
- Support FEMA hazard mitigation plans, or
- Integrate mitigation measures into eligible DRIP, HOPE, or Planning projects.

MIT-funded projects must meet HUD's definition of mitigation (Section B.2.2) and demonstrate:

- Clear hazard identification
- Clear risk reduction
- Measurable mitigation outcomes
- Alignment with federal mitigation guidance

3.2.9. HUD Monitoring Alignment

This subsection satisfies mitigation-related HUD monitoring requirements regarding:

- Integration of mitigation into all relevant project types
- Documentation of mitigation measures
- Use of green and resilient building approaches
- Application of floodplain management rules
- Requirements for residential and non-residential projects
- Adoption and integration of hazard mitigation plans
- Use of energy-efficient and hazard-resistant materials
- Mitigation strategy documentation in project files

3.3. TIMELINESS & PERFORMANCE REQUIREMENTS

(Cross-Cutting for All CDBG-DR Programs)

3.3.1. Purpose

This section establishes universal requirements for **timely performance**, **project readiness**, and **milestone compliance** across all CDBG-DR programs. Timeliness is a core HUD and OCRA compliance standard and affects eligibility for funding, project oversight, and grantee standing.

All grantees must demonstrate the ability to initiate, implement, and complete funded activities within required timelines and maintain ongoing compliance with OCRA's CDBG Project Timeliness Policy.

3.3.2. Applicability

Timeliness and performance requirements apply to:

- All CDBG-DR programs (HOPE, DRIP, BEP, ERP, MIT, PP)
- All units of general local government (UGLGs)
- Subrecipients
- Contractors and developers performing HUD-funded work

These requirements cover the entire grant lifecycle from application to closeout.

3.3.3. Core Timeliness Requirements

1. Grant Agreement Deadlines

Each grant agreement includes the following required dates:

- Environmental Release Date
- Bidding Deadline
- Release of Funds (ROF) Date
- Project Completion Date

These dates establish the required schedule for project execution.

2. Time to Complete Activities

OCRA requires:

- Construction and Housing Programs to be completed within 18 months of award
- Planning Programs to be completed within 12 months of award

Extensions require a **formal Time Extension Modification** submitted on or before the deadline.

3. Expenditure Timeliness

CDBG-DR funds must be spent on eligible costs **promptly**, with:

- Monthly internal expenditure review by OCRA
- Semi-annual expenditure reporting by grantees
- Strict adherence to the five-day drawdown disbursement rule

Failure to follow cash management rules may result in findings or repayment.

3.3.4. FEPS — Readiness to Proceed (Cross-Cutting Requirement)

Before issuance of a grant agreement, OCRA conducts the **Financial & Engineering Preliminary Screening (FEPS)** review.

FEPS verifies:

- Financial readiness
- Engineering readiness (plans complete or nearing completion)
- Permitting readiness (permits obtainable within 6–8 months)
- Site control (ownership, easements, access)
- Match commitments (as applicable)
- Readiness to meet milestone deadlines

FEPS findings can delay or prevent grant agreement issuance.

3.3.5. Milestone Performance Requirements

Grantees must meet all milestones outlined in the grant agreement and OCRA policies, including:

1. Environmental Review Milestones

- Initiating ER immediately after award
- Preventing choice-limiting actions
- Securing ROF before procuring or contracting

2. Procurement Milestones

- Completing RFP/RFQ/IFB procurement on time
- Demonstrating adequate competition
- Executing contracts within required windows

3. Construction / Implementation Milestones

- Notice to Proceed issued within 60 days of ROF (if applicable)
- Documenting progress through inspections and pay applications

4. Reporting Milestones

- Submitting semi-annual reports by July 31 and January 31

Overdue reports immediately halt draws and new awards.

5. Closeout Milestones

- Submitting closeout request by the project completion date
- Ensuring closeout documentation is ready for monitoring

3.3.6. CDBG Project Timeliness Report (Overdue Policy)

OCRA maintains the **CDBG Project Timeliness Report** (formerly Overdue Projects List), applying to all CDBG and CDBG-DR grants.

A project is marked **overdue** if:

- Findings remain unresolved beyond 30 days
- Reporting deadlines (semi-annual, subrecipient, monthly overdue reports) are missed
- ER, ROF, or other administrative deadlines are unmet without approved extension
- Project completion date has passed without closeout request submission

Projects on the Timeliness Report:

- Are ineligible for any new OCRA CDBG or CDBG-DR funding
- Must submit monthly progress reports through GMS
- Remain listed until all overdue conditions are fully resolved

Projects becoming overdue mid-month are **immediately** ineligible — even before being publicly posted.

3.3.7. Reprogramming for Non-Performance

If a grantee:

- Shows limited progress
- Fails to meet milestones
- Falls more than six months behind schedule

OCRA will initiate **reprogramming** of project funds into another eligible activity.

This applies to all CDBG-DR programs, including DRIP, HOPE, BEP, ERP, MIT, and PP.

3.3.8. Consequences for Untimely Performance

1. Suspension of Drawdowns

OCRA may suspend payment requests until:

- Overdue reports are submitted
- Findings are resolved
- Milestone documentation is provided

2. Restriction of Future Funding

UGLGs with overdue grants cannot:

- Apply for new CDBG, CDBG-CV, or CDBG-DR awards
- Receive new awards under any OCRA-administered funding program

3. Grant Termination

If a grantee fails to comply with milestone requirements, OCRA may:

- Terminate the grant
- Recover unspent funds
- Require repayment of ineligible costs

4. Additional Monitoring

Grants with timeliness issues may receive:

- More frequent desk monitoring
- Additional onsite reviews
- Targeted technical assistance with strict deadlines

3.3.9. Grantee Responsibilities

Grantees must:

- Track all milestone dates
- Maintain internal schedules to ensure timely progress
- Notify OCRA immediately of delays
- Submit modification requests **before** deadlines lapse
- Ensure procurement, ER, and financial management occur on schedule

Careful milestone management is essential to avoid overdue status and maintain eligibility.

3.3.10. OCRA Responsibilities

OCRA:

- Enforces timeliness rules for all CDBG-DR programs
- Reviews milestone progress through reports, FEPS updates, and monitoring
- Provides technical assistance to prevent overdue status
- Administers reprogramming when necessary

3.4. FINANCIAL MANAGEMENT

3.4.1. Purpose

Financial management requirements ensure CDBG-DR funds are administered in compliance with federal regulations, State law, the Universal Notice, and OCRA's policies. This section provides local units of government (LUGs), subrecipients, and contractors with the standards needed to properly receive, disburse, document, report, and account for CDBG-DR funds.

These requirements are grounded in 2 CFR Part 200 Subpart D, 24 CFR 570.489, and OCRA's CDBG-DR financial management policies.

3.4.2. Applicability

This section applies to:

- OCRA
- Units of general local government receiving CDBG-DR awards
- Subrecipients
- Contractors and vendors involved in project delivery

It governs financial controls for *all* CDBG-DR programs.

3.4.3. Core Financial Management Standards

Standard 1: Internal Controls

Grantees must maintain effective internal controls that:

- Safeguard federal funds
- Ensure expenditures are allowable, allocable, and reasonable
- Prevent fraud, waste, and abuse
- Ensure accountability for all financial transactions

These controls must comply with 2 CFR 200.303.

Standard 2: Segregated Accounts

Grantees must maintain CDBG-DR funds:

- In a separate account, or
- In a distinctly identifiable fund within an existing account

All receipts and expenditures must be traceable exclusively to CDBG-DR activities.

Standard 3: Source Documentation

All costs claimed must be supported by:

- Invoices
- Contracts
- Timesheets
- Receipts
- Cancelled checks
- Payment ledgers
- Procurement documentation

Insufficient documentation may result in repayment of funds.

Standard 4: Financial Officer Responsibilities

Financial recordkeeping is the responsibility of the LUG's designated chief financial officer (e.g., clerk-treasurer or auditor). The Grant Administrator advises but does not replace the CFO.

Standard 5: Proportional Expenditure of Local Match

When projects include local match or leverage, CDBG-DR and local funds must be spent proportionally based on total budget ratios.

Standard 6: Allowable Costs

Costs must:

- Be in the approved budget
- Occur within the grant period
- Directly relate to the approved scope of work
- Be necessary for project completion

Costs outside these parameters are unallowable.

3.4.4. Required Financial Records

Grantees must maintain the following records for the life of the grant and through the required federal retention period:

Mandated Registers and Ledgers

As required by federal funding agencies and OCRA:

- **Federal Cash Control Register** (tracks receipt and expenditure of federal funds)
- **Contract Obligation Control Ledger** (lists all obligations under the grant)
- **Contract Expenditure Ledger** (tracks payments and remaining balances)
- **Property Inventory Ledger** (records property or equipment purchased with CDBG-DR funds)
- **Local Match Ledger** (documents all local match expenditures)

All forms referenced here appear in OCRA's CDBG Handbook.

3.4.5. Line of Credit Establishment

Before drawing CDBG-DR funds:

1. The Grant Agreement must be executed.
2. The grantee must submit a W-9 and Direct Deposit Authorization.
3. The grantee must meet all Release of Funds conditions.

After these steps, OCRA establishes the project's line of credit.

3.4.6. Release of Funds Requirements

No funds may be drawn until OCRA issues a formal **Release of Funds**.
The Release of Funds process requires submission of:

- Professional service procurement documentation
- Local match verification
- Required contracts
- Environmental review completion
- Labor Standards preliminary documentation (if applicable)
- Procurement evidence for construction (if applicable)

Grantees must submit a **complete** Release of Funds package; incomplete packages will be returned without review.

3.4.7. Drawdowns and Disbursements

Drawdown General Rules

- Draws must be for actual, eligible expenses only.
- Draws must be made promptly upon incurring eligible costs.
- Grantees must issue payments to contractors within five (5) business days of deposit.
- Federal funds may not sit in a local account longer than five days or exceed $5,000 without immediate disbursement.

Interest earned above allowable thresholds must be returned to Treasury.

Payment Requirements

Before approving a contractor payment request, the grantee must obtain:

- Engineer/architect approval
- Partial or final lien waivers
- Verification of certified payroll submissions (if Davis–Bacon applies)

All payment claims must be submitted through the Grants Management System (GMS).

Cash Flow Planning

Grantees should anticipate delays during:

- End-of-fiscal-year state processing
- High volume periods
- Holidays

Timely cash flow planning ensures compliance and avoids payment delays.

3.4.8. Timely Expenditures

Timeliness requirements and financial management procedures reinforce:

- Construction/Housing projects must be completed within 18 months of award
- Planning projects must be completed within 12 months
- Extensions require approved Time Extension Modifications
- Semi-annual reports must reflect accurate expenditure progress

Grantees failing to meet milestones may face:

- Corrective action
- Reevaluation of activities
- Reprogramming of funds after six months of inactivity or insufficient progress

3.4.9. Program Income Requirements

Definition

Program income is gross income directly generated from the use of CDBG-DR funds during a single calendar year.

General Rules

- Program income must be deposited in a “CDBG Program Income Account.”
- Must be used before drawing additional Treasury funds.
- Must be reported quarterly.
- Must be used for eligible CDBG activities only.

If program income equals or exceeds **$35,000/year**, it must be returned to OCRA unless otherwise approved.

Revolving Loan Funds

If OCRA authorizes revolving loan funds, grantees must:

- Keep balances in interest-bearing accounts
- Report quarterly
- Demonstrate active reuse

Long-term loan program income requires perpetual tracking until all loans are repaid or written off.

Program Income Transfer

Program income generated by prior HUD-funded awards (CDBG, CDBG-CV, NSP, etc.) may be transferred to OCRA’s formula program and retains its federal identity.

3.4.10. Procurement and Financial Linkages

Procurement and financial management requires:

- Payments only to properly procured contractors
- Supporting documentation of procurement in financial files
- Verification of contractor eligibility (SAM.gov and HUD LDP lists) before disbursement

Grantees must maintain verification records in contractor files.

3.4.11. Financial Reporting Requirements

Semi-Annual Reports

Grantees must submit semi-annual reports via GMS:

- Jan 1 – Jun 30 report due Jul 31
- Jul 1 – Dec 31 report due Jan 31

Late reports suspend drawdowns and eligibility for additional funding.

Quarterly Program Income Reports

Required when program income is collected.

Closeout Financial Reporting

Detailed closeout instructions; however, financial reporting at closeout must include:

- Final paid claims
- Financial Settlement/Expenditure Report
- Program income status

- Verification of no outstanding liabilities

Grantees must resolve all financial findings before receiving a Certificate of Completion.

3.4.12. Financial Monitoring & Audit Requirements

OCRA Monitoring

Financial compliance is monitored during:

- Desk reviews
- Onsite monitoring
- Closeout monitoring
- Annual subrecipient monitoring (when applicable)

Examples of common findings include:

- Violations of 5-day expenditure rule
- Insufficient documentation
- Costs incurred outside the grant period
- Payments exceeding contract amounts
- Unapproved contract changes
- Improper procurement

Audits

Grantees may be subject to:

- Single audits under 2 CFR 200
- SBOA audits during routine local government review

Findings must be resolved to maintain funding eligibility.

3.4.13. HUD Monitoring Alignment

This subsection satisfies requirements under HUD monitoring exhibits related to:

- Financial management systems
- Internal controls
- Drawdowns
- Expenditure timeliness
- Program income
- Allowable costs
- Documentation
- Recordkeeping
- Procurement/financial linkages
- Closeout procedures

3.5. PROCUREMENT

3.5.1. Purpose

This section establishes procurement standards necessary to ensure **full and open competition**, cost reasonableness, and compliance with federal and State requirements for all CDBG-DR funded purchases of goods, services, and construction activities.

Grantees must follow procurement procedures that:

- Comply with federal rules under 2 CFR Part 200
- Comply with CDBG-DR requirements under 24 CFR 570.489(g)
- Comply with Indiana procurement laws (IC 5-16, IC 5-22, IC 36-1-12)
- Follow all applicable waivers and alternative requirements in the Universal Notice
- Maintain documentation sufficient for HUD monitoring and OCRA oversight

These standards apply to all CDBG-DR programs and all contractors, vendors, and consultants.

3.5.2. Applicability

This section applies to:

- OCRA
- Local units of government (LUGs) receiving CDBG-DR funds
- Subrecipients
- Contractors, consultants, architects/engineers
- Vendors providing goods or services purchased with CDBG-DR funds

3.5.3. Procurement Principles (Universal Requirements)

Principle 1: Full and Open Competition

All procurement transactions must be conducted to ensure **full and open competition**, including:

- Fair solicitation
- Clear evaluation criteria
- Public access to bidding opportunities
- Documentation of competition
- No unreasonable requirements that restrict competition

Principle 2: Written Procurement Policy

UGLGs and subrecipients must have **written procurement policies** consistent with 2 CFR 200.318 and Indiana law.

If a written procurement policy does not exist, the grantee must adopt one prior to initiating any procurement activity funded by CDBG-DR.

Principle 3: Conflict of Interest Standards

All procurement must follow conflict-of-interest rules found in this manual of this manual and 2 CFR 200.318(c).

Principle 4: Cost Reasonableness

Costs must meet federal standards for:

- Reasonableness

- Necessity
- Allowability
- Allocability

A cost/price analysis is required for:

- All sealed bids
- All competitive proposals
- All sole-source procurements
- Any procurement over the Simplified Acquisition Threshold

Principle 5: Procurement Records

Grantees must maintain procurement records that include:

- RFP/RFQ/IFB copies
- Public notices
- Certified mail receipts
- Bid or proposal submissions
- Evaluation documentation
- Contract award justification
- SAM.gov and HUD LDP eligibility verification
- Executed contracts
- Cost/price analyses
- Any procurement appeals or protests

Records must be retained for the full CDBG-DR retention period.

3.5.4. Federal and State Procurement Standards

Federal Regulations

Grantees must follow:

- 2 CFR 200.317–200.327
- CDBG-DR requirements under 24 CFR 570.489(g)
- HUD procurement waivers under the Universal Notice
- Economic opportunity requirements for minority- and women-owned businesses (MBE/WBE)

State Regulations

Indiana procurement statutes applicable to LUGs include:

- IC 5-16 (Public Works)
- IC 5-22 (State Procurement)
- IC 36-1-12 (Public Works Projects by Local Governments)

OCRA procurement policies comply with Indiana Department of Administration (IDOA) requirements (25 IAC 5, 9, 11).

3.5.5. Methods of Procurement

Grantees must use one of the four federally approved procurement methods:

1. Competitive Sealed Bids (Formal Bidding)

Required for:

- All CDBG-DR **construction** contracts
- Any procurement where price is a significant factor
- All public works projects subject to IC 36-1-12

Requirements:

- Publication in a newspaper of general circulation
- Two certified mail solicitations to MBE/WBE firms
- A minimum 14-day bidding period
- Public bid opening
- Award to lowest responsive, responsible bidder
- Bid tabulation signed by engineer/architect
- SAM.gov and HUD LDP verification

2. Competitive Proposals (RFP)

Used when:

- Procuring professional services
- Price is a factor, but not the sole factor
- Full scope of work must be evaluated

Requirements:

- Clear evaluation criteria
- Public advertisement
- Certified mail outreach to MBE/WBE firms
- Technical evaluation committee
- Documentation of scoring and selection

3. Qualifications-Based Procurement (RFQ)

Required for:

- Architectural/engineering services under Indiana law and HUD rules

Requirements:

- Cost is *not* used as a selection factor
- Vendor selected based on qualifications
- Price negotiated after selection

4. Small Purchase Procedures

Allowed only when:

- The total procurement is ≤ $50,000
- Items are not professional services or construction
- At least three written quotes are obtained

- Cost reasonableness is documented

5. Sole Source Procurement

Only allowable when:

- The item or service is only available from one provider
- Competition is inadequate (e.g., no bidders)
- There is a public emergency that does not permit delay

Requires:

- Cost/price analysis
- Written justification
- Prior approval from OCRA

3.5.6. Minority and Women-Owned Business Requirements

Grantees must take **affirmative steps** to ensure the inclusion of:

- Minority Business Enterprises (MBE)
- Women's Business Enterprises (WBE)
- Indiana Veteran-Owned Small Businesses (IVOSB)

Required actions include:

- Sending certified mail solicitations to at least two MBE/WBE firms
- Maintaining documentation of outreach
- Including non-discriminatory language in all solicitations
- Using IDOA vendor directories for certified firms

3.5.7. Contractor Eligibility Verification

Before awarding any contract:

- Grantees must confirm contractor eligibility through **SAM.gov**
- Grantees must check HUD's Limited Denial of Participation (LDP) list
- Grantees must verify subcontractors when disclosed

Documentation must be kept in the contractor file.

A contractor or subcontractor **may not** receive CDBG-DR funds if:

- Debarred
- Suspended
- Ineligible
- Listed on HUD or DOL exclusion lists

3.5.8. Contract Requirements

All CDBG-DR contracts must include:

- Period of performance
- Scope of work
- Budget and allowable costs

- Liquidated damages, where applicable
- Federal clauses (labor standards, equal opportunity, Section 3 if applicable)
- Insurance and bonding requirements
- Provisions addressing nondiscrimination and accessibility

OCRA requires that:

- Construction contracts include required Davis-Bacon clauses when applicable
- All professional service contracts include required federal conditions

3.5.9. Environmental Review Restrictions

NO procurement may begin prior to the completion of environmental review, unless allowed under 24 CFR Part 58.
"Choice-limiting actions" include:

- Signing construction contracts
- Advertising bids
- Property acquisition
- Rehabilitation
- Site preparation
- Demolition

These actions **must not** occur until OCRA issues environmental clearance.

3.5.10. Documentation Required for Monitoring

Grantees must maintain complete procurement files, including:

- Advertisements
- Certified mail receipts
- Lists of firms contacted
- Bid submissions or proposals
- Evaluation scoring sheets
- Interview documentation
- Bid tabulations
- Award letters
- Signed contracts
- Cost/price analyses
- Eligibility verification
- Any protests or disputes
- Evidence of compliance with MBE/WBE outreach requirements

Documentation must be uploaded into GMS as requested by OCRA.

3.5.11. HUD Monitoring Alignment

This subsection satisfies HUD monitoring requirements related to:

- Full and open competition
- Documentation of procurement
- Compliance with 2 CFR Part 200

- Solicitation requirements
- Maintenance of procurement records
- Non-discrimination in procurement
- Contractor eligibility verification
- Cost reasonableness
- Prohibition of choice-limiting actions
- Use of qualified and procured vendors
- Affirmative steps for MBE/WBE firms

3.6. ENVIRONMENTAL REVIEW

3.6.1. Purpose

Environmental Review (ER) is required for all CDBG-DR projects to ensure compliance with the National Environmental Policy Act (NEPA), 24 CFR Part 58, and the environmental requirements and alternative provisions established in the Universal Notice. ER must occur **before** any choice-limiting action and prior to OCRA issuing a Release of Funds.

This section provides universal environmental review standards applicable to all CDBG-DR programs and describes documentation, timing, and compliance expectations for local units of government (LUGs), subrecipients, and contractors.

3.6.2. Regulatory Authority

Environmental reviews for CDBG-DR are governed by:

- **NEPA** (42 U.S.C. § 4321 et seq.)
- **24 CFR Part 58** (HUD ER regulations for responsible entities)
- **24 CFR Part 55** (Floodplain Management)
- **Universal Notice (FR–6489–N–01)** – including waivers and alternative requirements
- HUD environmental guidance specific to CDBG-DR
- OCRA CDBG Handbook environmental review requirements
- Lead Safe Housing Rule (24 CFR Part 35) – applicable for residential projects
- **Related federal laws** such as Endangered Species Act, National Historic Preservation Act, and Clean Air Act

3.6.3. Applicability

Environmental review requirements apply to **all** CDBG-DR activities, including:

- Infrastructure improvements
- Housing rehabilitation, reconstruction, or replacement
- Blight elimination (clearance/demolition)
- Planning (if planning activities include physical/site-specific elements)
- Economic revitalization activities
- Mitigation projects (with or without tieback)

Activities that are exempt or categorically excluded under 24 CFR Part 58 still require documentation.

3.6.4. Responsible Entity

For CDBG-DR funds, the **UGLG** serves as the *Responsible Entity (RE)* for conducting the environmental review. Responsibilities include:

- Completing the environmental review
- Preparing and maintaining the Environmental Review Record (ERR)
- Publishing or posting applicable public notices (FONSI, NOI/RROF, etc.)
- Obtaining OCRA approval of environmental review documents
- Ensuring no choice-limiting actions occur before release of funds

OCRA serves as the state's reviewing and approving authority.

3.6.5. Environmental Review Standards

Standard 1: No Choice-Limiting Actions Prior to ER Completion

Until the ER is complete and OCRA issues a Release of Funds:

- LUGs **cannot** award construction contracts
- **Cannot** perform demolition, rehabilitation, or site work
- **Cannot** acquire property
- **Cannot** commit HUD funds or non-HUD funds for project activities
- **Cannot** undertake any action that restricts reasonable alternatives

Violations result in ineligibility for CDBG-DR funding and potential repayment.

Standard 2: Categorization of Activities

Every activity must be classified as:

- Exempt
- Categorically Excluded Not Subject to §58.5 (CENST)
- Categorically Excluded Subject to §58.5 (CEST)
- Environmental Assessment (EA)
- Environmental Impact Statement (EIS) (rare for CDBG-DR)

Classification must be documented in the ERR.

Standard 3: Documentation

The ERR must include:

- Environmental review checklists
- Site-specific hazard assessments
- Maps (FIRM, wetland, floodplain, etc.)
- Correspondence with consulting agencies
- Lead-based paint applicability screening forms
- Historic preservation consultation materials
- Environmental notices and comments
- Determinations and findings

Standard 4: Public Notice Requirements

If required based on review level, grantees must:

- Publish a Notice of Intent to Request Release of Funds (NOI/RROF)
- Publish or post a Notice of Finding of No Significant Impact (FONSI), when applicable
- Maintain affidavits or screenshots proving notice publication

Standard 5: OCRA Review and Release of Funds

Environmental documents must be submitted to OCRA for approval.

Release of Funds is issued only after:

- Environmental review completion
- Required public notice periods
- Resolution of public comments
- Compliance with all applicable environmental laws and authorities

3.6.6. Floodplain Management Requirements (24 CFR Part 55)

Projects located in Special Flood Hazard Areas (SFHA) must comply with:

Floodway Restrictions

OCRA generally cannot approve funding for actions in a floodway unless a regulatory exemption applies. Grantees must document:

- Compliance with 24 CFR 55.8 or 55.12
- Use of the most current FEMA flood hazard data

Elevation Requirements

- Critical actions must be elevated 3 feet above BFE
- Non-critical actions must be elevated 2 feet above BFE

NFIP Participation

For work in an SFHA:

- Community must be in good standing with the National Flood Insurance Program (NFIP)
- Proof of flood insurance must be documented in the ERR

3.6.7. Lead-Based Paint Hazard Compliance

Applies to all residential structures built before 1978. Requirements include:

- Lead hazard screening
- Lead testing of disturbed surfaces
- Risk assessments for projects with >$25,000 hard costs
- Use of licensed lead professionals
- Provision of the EPA-approved lead pamphlet
- Clearance examinations after work

Forms such as Lead-001, Lead-002, and Lead-003 must be included in the ERR.

3.6.8. Environmental Review for Housing (HOPE Program)

HOPE Program activities must include:

- Tiered environmental review (Tier I for general area, Tier II for site-specific)
- Lead hazard screening for each property
- Floodplain evaluation
- Site contamination analysis
- Documentation of mitigation measures

3.6.9. Environmental Review for Infrastructure (DRIP Program)

DRIP projects require:

- Full evaluation of environmental impacts
- Review of historical and cultural resources
- Documentation of floodplain impacts and mitigation
- Consultation with State Historic Preservation Officer (SHPO) when required

Certain infrastructure projects may qualify as EA-level reviews.

3.6.10. Environmental Review for Blight Elimination (BEP Program)

Clearance/demolition activities must:

- Determine presence of asbestos
- Include hazardous materials evaluation
- Document disposal in accordance with state and federal rules
- Include appropriate public notice if required by review level

3.6.11. Environmental Review for Economic Revitalization (ERP Program)

ERP projects may require:

- Review of commercial property conditions
- Environmental assessments when applicable
- Confirmation that assistance does not disturb contaminated sites without proper remediation

Most ERP activities are CENST or CEST; however, site-specific analysis is always required.

3.6.12. Mitigation Set-Aside (MIT Program) Environmental Standards

MIT-funded projects:

- Must comply fully with Part 58
- Do not need disaster tieback but must document hazard mitigation strategy
- Must demonstrate alignment with FEMA hazard mitigation plans

3.6.13. Environmental Review Record (ERR) Requirements

ERR must include:

- All environmental forms
- Maps and supporting documentation
- Lead hazard documentation (if applicable)
- Floodplain compliance evaluation
- Historic preservation records

- Correspondence with regulatory agencies
- Copies of public notices and affidavits
- Decision-making documentation
- Evidence supporting review classification

ERR must be retained for the required federal period.

3.6.14. Monitoring and Compliance

Environmental compliance will be monitored by:

- OCRA during Release of Funds review
- OCRA during project monitoring (desk or onsite)
- HUD during monitoring or audit

Common findings include:

- Conducting choice-limiting actions prior to ER
- Missing public notices
- Incomplete ERR documentation
- Insufficient floodplain analysis
- Missing lead hazard documentation
- Lack of SHPO consultation evidence

Grantees must correct environmental findings before closeout.

3.6.15. HUD Monitoring Alignment

This subsection satisfies HUD monitoring criteria for:

- Compliance with 24 CFR Part 58
- Choice-limiting actions
- Floodplain management (24 CFR Part 55)
- Lead-based paint compliance
- ERR documentation requirements
- Public notice requirements
- Environmental compliance for demolition, infrastructure, housing, and economic development
- Mitigation strategy integration

3.7. UNIFORM RELOCATION ACT (URA)

3.7.1. Purpose

This section establishes the requirements for compliance with the **Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA)** (42 U.S.C. 4601 et seq.), HUD's regulations at **49 CFR Part 24**, and related CDBG-DR requirements.

URA applies whenever CDBG-DR activities involve:

- The acquisition of real property
- Rehabilitation or demolition activities that cause displacement
- Temporary relocation for safety during construction

This section provides guidance to ensure grantees understand responsibilities, required notices, documentation, and protections for affected occupants.

3.7.2. Applicability

URA applies to:

- All **residential occupants**, including tenants living in HOPE properties
- Residential occupants of buildings cleared under BEP
- Non-residential occupants in certain economic revitalization or infrastructure projects (if applicable)
- Any individual who must relocate temporarily or permanently because of CDBG-DR-assisted activities

URA **does not** apply when:

- No person (tenant or owner) occupies the structure
- No displacement occurs
- The rehabilitation does not require temporary movement
- The assisted property is owner-occupied *and no tenants are present*
- Voluntary acquisition rules apply (when the grantee is not exercising eminent domain)

3.7.3. Definitions

- **Displaced Person:** An individual or household required to move permanently as a direct result of CDBG-DR project implementation.
- **Temporary Relocation:** Short-term movement required for safety or project implementation, with the expectation that the tenant returns when construction is finished.
- **Permanent Relocation:** Movement where the occupant cannot return to the property.
- **URA Assistance:** Payments and advisory services required under federal relocation rules.
- **RARAP:** The Residential Anti-Displacement and Relocation Assistance Plan required of all grantees.

3.7.4. General URA Requirements

Grantees must:

- Prevent displacement where feasible.
- Provide required **notices**, **advisory services**, and **benefits** to any displaced person.
- Ensure compliance with HUD rules for temporary relocation when rehabilitation requires occupants to move.
- Adopt and follow a Residential Anti-Displacement and Relocation Assistance Plan (RARAP) prior to implementation.
- Maintain **complete relocation records** in the project file.

HUD monitoring will verify:

- Proper notice periods
- Accurate payment calculations
- Completed relocation files
- Adequate documentation of advisory services
- Evidence displacement was minimized

3.7.5. Temporary Relocation Requirements

Temporary relocation occurs when an occupant must move for a limited period due to rehabilitation or reconstruction activities.

Temporary relocation **must be offered if**:

- Health, safety, or accessibility issues prevent occupancy during construction
- Lead abatement or hazard reduction requires property vacating
- Major systems replacement or reconstruction affects habitability

Required Benefits for Temporarily Relocated Tenants

Grantees must provide:

1. Reimbursement of All Reasonable Out-of-Pocket Expenses

Including:

- Moving expenses
- Increased housing and utility costs during the temporary stay
- Incidental expenses

2. Advance Written Notice

Must include:

- Expected start date of relocation
- Duration of relocation
- Location of temporary dwelling (must be decent, safe, sanitary)
- Terms and conditions for temporary occupancy
- Conditions for return to the unit (post-construction)

3. Advisory Services

Including:

- Explanation of rights and benefits
- Information about available temporary housing options
- Contact information for assistance or complaints

Tenant Right of Return

All temporarily relocated tenants must be allowed to return once work is complete, under terms of original occupancy unless otherwise justified.

3.7.6. Permanent Relocation Requirements

Permanent displacement is relatively rare under HOPE and BEP programs but can occur when:

- Rehabilitation or reconstruction is infeasible
- Clearing blighted properties requires demolition of occupied structures
- Hazard mitigation or infrastructure activities eliminate the use of the property
- Tenants cannot return due to change in use, condition, ownership, or occupancy type

When permanent displacement occurs, grantees must provide:

- Relocation allowance payments
- Replacement housing payments (as applicable)
- Moving expenses
- Advisory services
- 90-day notice of displacement

Permanent displacement must follow **full URA requirements** under 49 CFR Part 24.

3.7.7. Anti-Displacement Policy

Before receiving CDBG-DR funds, grantees must:

- Adopt a Residential Anti-Displacement and Relocation Assistance Plan (RARAP)
- Include budget for any anticipated relocation activities
- Implement relocation assistance consistent with 24 CFR 570.488 or 570.606, as applicable

OCRA will monitor compliance with RARAP requirements.

3.7.8. Lead-Based Paint and Relocation

Lead hazard reduction activities under the Lead Safe Housing Rule may require temporary relocation. Requirements include:

- Lead hazard notification
- Use of licensed lead professionals
- Occupant protection procedures
- Temporary relocation during active abatement
- Clearance examination before returning

All documentation must be included in the ERR and relocation files.

3.7.9. Relocation Documentation Requirements

Grantees must maintain:

- Copies of all notices (temporary, permanent, 90-day notices, etc.)
- Proof of advisory services provided
- Documentation of out-of-pocket expense reimbursement
- Temporary housing agreements
- Copies of relocation payments and receipts
- Tenant household information and verification
- Signed acknowledgment of relocation rights
- Documentation supporting displacement determinations
- Record of attempts to minimize displacement
- RARAP adoption documentation

Relocation files must be uploaded in GMS upon request and retained for the federal retention period.

3.7.10. Applicability by Program

HOPE (Housing)

URA applies when tenants reside in owner-occupied units.

Temporary relocation is common when:

- Reconstruction occurs
- Substantial rehabilitation is needed
- Lead hazard reduction is underway

BEP (Blight Elimination)

URA applies for any occupied structure demolished.

Temporary relocation is rare; permanent relocation may occur.

DRIP (Infrastructure)

URA may apply in cases of:

- Property acquisition
- Easements that affect occupancy
- Infrastructure construction affecting residences

ERP (Economic Revitalization)

URA generally applies only if:

- Economic development activity affects housing or businesses requiring movement

MIT (Mitigation Set-Aside)

URA applies to any project causing temporary or permanent displacement, even without disaster tieback.

3.7.11. Prohibition on Coercion

Grantees may **not**:

- Pressure tenants to move
- Misrepresent relocation rights
- Offer inadequate temporary housing
- Reduce standard of living compared to pre-relocation housing
- Terminate occupancy agreements without proper notice
- Threaten loss of benefits

All relocation must be voluntary and fully documented.

3.7.12. HUD Monitoring Alignment

This subsection satisfies HUD monitoring exhibit requirements related to:

- Anti-displacement compliance
- Temporary relocation documentation
- Relocation notices
- URA payment accuracy
- Lead hazard relocation compliance
- Advisory services
- Recordkeeping and evidence of minimized displacement

- RARAP adoption and implementation

HUD will review relocation files, public notices, ERRs, and documentation of advisory services.

3.8. LEAD-BASED PAINT REQUIREMENTS

3.8.1. Purpose

This section establishes requirements to ensure compliance with the **HUD Lead Safe Housing Rule (LSHR)** at **24 CFR Part 35**, Subpart J, and related State standards. All CDBG-DR residential projects involving pre-1978 homes must identify and address lead-based paint hazards to protect occupants and workers, consistent with federal environmental and public health regulations.

3.8.2. Applicability

Lead-based paint requirements apply when ALL of the following conditions are met:

- The assisted property is a **residential structure**, **AND**
- The structure was constructed prior to January 1, 1978, AND
- Proposed activities disturb painted surfaces, OR
- Project hard costs meet or exceed federal assistance thresholds for lead hazard evaluation or reduction.

Lead compliance applies to:

- HOPE Program (Housing Rehabilitation/Reconstruction)
- BEP (Demolition/Clearance — if residential structure is affected)
- MIT and DRIP Programs when work affects pre-1978 residential structures
- Recovery Housing activities (if applicable)

Exemptions

The following items are exempt under 24 CFR 35.115 and OCRA policy:

- Residential property built on or after January 1, 1978
- Zero-bedroom units (e.g., studio apartments)
- Housing for the elderly/disabled where no child under age six resides or is expected to reside
- Rehabilitation that does not disturb painted surfaces
- Minimal repair/maintenance disturbing ≤ 2 sq. ft. interior or ≤ 20 sq. ft. exterior
- Residential property previously tested and found to contain no lead
- Residential property where all lead hazards have already been identified, removed, and clearance issued by the State health authority

3.8.3. Lead Hazard Information and Required Notices

Before work begins, grantees must:

- Provide EPA-approved Lead Hazard Information Pamphlet:
  - Must be provided in the occupant's spoken language
  - Must be acknowledged in writing by homeowner or adult occupant
  - Records must be retained for **minimum 3 years**
- Provide Required Lead Hazard Evaluation Notices:

- Notification of evaluation results (positive or negative) within **15 days** of testing
- Notification of hazard reduction activities within **15 days** of clearance

3.8.4. Assistance Thresholds and Required Lead Activities

Lead compliance depends on the **amount of federal assistance per unit**, excluding lead-related costs.

1. Assistance ≤ $5,000 (Test & Repair)

Requirements:

- Test painted surfaces to be disturbed
- Repair any surfaces that test positive
- Use lead-safe work practices
- Licensed lead professional oversees work
- Clearance examination may be required depending on work performed

2. Assistance > $5,000 and ≤ $25,000 (Identify & Control)

Requirements:

- Lead hazard evaluation
- Work write-up describing lead hazard reduction
- Interim controls performed by licensed professionals
- Use of lead-safe work practices
- Clearance examination required after work

3. Assistance > $25,000 (Identify & Abate)

Requirements:

- Full risk assessment (pre-rehabilitation)
- Development of detailed abatement specifications
- Abatement of identified hazards
- Interim controls and/or removal of paint hazards
- Clearance examination and State certification after abatement

Risk assessments can only be performed by a licensed professional in accordance with Indiana Department of Health rules.

3.8.5. Lead-Safe Work Practices

All contractors must follow:

- Lead-safe work practices under 24 CFR 35.1350
- State rules under 410 IAC 32
- EPA Renovation, Repair, and Painting (RRP) requirements for contractors
- Occupant protection protocols

Workers must be trained and licensed as required by State health regulations.

3.8.6. Clearance Requirements

Clearance is required for:

- All projects with positive lead test results
- All projects requiring interim controls or abatement
- All projects requiring a risk assessment

Clearance must be performed by a **licensed lead-based paint inspector or risk assessor**. Documentation must include:

- Clearance exam checklist
- Laboratory results
- Lead hazard reduction completion verification
- Certification from the Indiana Department of Health (for abatement)

The property may not be reoccupied until clearance is passed.

3.8.7. Licensed Lead Professionals

If the grantee does not have a licensed lead professional on staff, it must:

- Contract with an Indiana Department of Health licensed lead professional
- Ensure contractor credentials remain active throughout the project
- Provide lead professional with assistance threshold and scope details before work begins

3.8.8. Required Forms and Documentation

The following forms must be completed and retained in the file:

- Form Lead-001: Lead Hazard Applicability Screening
- Form Lead-002: Lead LSHR Exemptions (if applicable)
- Form Lead-003: Verification of Completed Lead Hazard Reduction Activities
- Occupant acknowledgment of EPA pamphlet
- Lead test results
- Clearance exam results
- Abatement or interim control documentation
- Contractor credentials and certifications

All forms must be uploaded to GMS before closeout.

3.8.9. Temporary Relocation and Lead Hazards

If lead hazard reduction work requires occupants to vacate the home temporarily:

- Tenants must receive temporary relocation assistance
- Occupants cannot return until clearance is passed
- Lead hazard notices and advisory services must be provided during relocation
- Temporary relocation housing must be decent, safe, sanitary, and lead-safe

3.8.10. Program-Specific Notes

HOPE (Housing Program)

Lead requirements apply to all eligible pre-1978 owner-occupied homes receiving assistance. Tiered environmental reviews must include lead applicability screening.

Clearance exams required after all hazard reduction or abatement work.

DRIP (Infrastructure)

Lead rules apply only if work directly impacts pre-1978 residential structures or interior painted surfaces.

BEP (Blight Elimination)

Demolition activities must include:

- Lead testing of painted surfaces
- Safe demolition and debris disposal
- Compliance with OSHA and EPA standards

ERP (Economic Revitalization)

Lead requirements apply only when assistance affects residential units or businesses where painted residential surfaces are disturbed.

MIT (Mitigation Set-Aside)

Lead rules apply to any pre-1978 residential structure included in mitigation activities.

3.8.11. Prohibited Practices

Contractors may NOT:

- Use prohibited lead hazard reduction methods
- Dry scrape or sand without containment
- Use open flame burning or torching
- Use power sanding without HEPA vacuum
- Perform work without proper licensure
- Allow occupants to stay in areas where hazard reduction is underway

Violations may result in findings, repayment, or prohibition from future participation.

3.8.12. HUD Monitoring Alignment

HUD will verify:

- Threshold determination
- Testing or risk assessment records
- Clearance documentation
- Work practices used
- Presence and completeness of lead-related forms
- Proper occupant notification
- Licensed lead professional credentials
- Temporary relocation compliance

This section fulfills monitoring exhibit elements related to:

- Lead hazard identification
- Implementation

- Clearance
- Documentation and recordkeeping
- Relocation requirements

3.9. FRAUD, WASTE & ABUSE / DEBARMENT

3.9.1. Purpose

This section establishes policies and procedures to prevent, detect, and address **fraud, waste, and abuse (FWA)** in the administration of CDBG-DR funds. It also outlines required verification processes to ensure that **contractors, subrecipients, applicants, and beneficiaries** are eligible and not debarred, suspended, or excluded from federally funded programs.

These standards ensure:

- Proper stewardship of federal funds
- Compliance with HUD requirements
- Transparency and accountability
- Protection of disaster-impacted communities

All personnel involved in administering CDBG-DR funds must comply with these requirements.

3.9.2. Applicability

This section applies to:

- OCRA
- All LUGs receiving CDBG-DR funds
- Subrecipients
- Contractors and subcontractors
- Beneficiaries receiving direct assistance
- Vendors paid with CDBG-DR funds
- Any party involved in the grant lifecycle

3.9.3. Definitions

- **Fraud:** Intentional deception or misrepresentation to obtain a benefit.
- **Waste:** Careless or excessive use of grant funds without intent.
- **Abuse:** Improper behavior or misuse of authority that results in unnecessary costs.
- **Debarment:** Formal exclusion from participating in federally funded programs.
- **Suspension:** Temporary exclusion subject to investigation or review.
- **Ineligible:** An entity barred or restricted from receiving federal assistance.

3.9.4. Fraud, Waste & Abuse Prevention Framework

1. Internal Controls

Grantees must implement internal controls that:

- Prevent misuse of funds
- Ensure proper documentation
- Reduce opportunities for fraud
- Protect federal program integrity

- Comply with 2 CFR 200.303

2. Staff and Subrecipient Training

All staff participating in CDBG-DR program administration must receive FWA training. During initial rollout, HUD OIG training is required for:

- OCRA program staff
- Subrecipients
- Grantee personnel involved in oversight

3. Public Awareness for Beneficiaries

OCRA and grantees must ensure beneficiaries are aware of:

- Risks of contractor fraud
- How to avoid fraud
- How to report suspected fraud
- Federal penalty language for false statements

Information must be provided via:

- Websites
- Printed materials
- Applicant packets
- Notices posted in subrecipient offices

3.9.5. Applicant Verification Requirements

Initial Verification

During application review, OCRA performs initial verification of applicant eligibility by checking:

- System for Award Management (SAM)
- Indiana Department of Revenue (IDOR)
- Indiana Department of Workforce Development (IDWD)
- Indiana Secretary of State (SOS)

Post-Award Verification

After award selection:

- Additional checks are required prior to contract execution.
- Documentation must be retained in the grantee's GMS file.

Grantees may not receive funding until they pass all clearance checks.

3.9.6. Contractor and Subcontractor Eligibility Verification

Mandatory Eligibility Checks Before Fund Disbursement

OCRA requires all grantees to verify contractor and subcontractor eligibility through:

- **SAM.gov** (federal debarment/suspension)
- HUD Limited Denial of Participation (LDP) list
- U.S. Department of Labor debarment list (for labor standards applicability)

Verification Procedures

The labor standards officer must:

- Perform eligibility checks before award
- Print and retain search results
- Complete Labor Standards Form 6 (Contractor/Subcontractor Verification)
- Provide documentation to OCRA during Release of Funds review

Disclosure of Subcontractors

If a prime contractor later adds subcontractors:

- Grantee must conduct new eligibility checks
- Must notify OCRA's labor standards specialist before subcontractor participation

3.9.7. Debarment Rules

A contractor or subcontractor may **not** participate in CDBG-DR projects if they:

- Are debarred by any federal or state agency
- Are suspended or on HUD's LDP list
- Have a history of repeated violations of labor, civil rights, procurement, or equal opportunity requirements
- Have a record demonstrating lack of business integrity

Violations Leading to Debarment Recommendation

Examples include:

- False representation
- Theft, fraud, or forgery
- Embezzlement
- Repetitive violations of federal or state laws
- Repetitive failure to perform contractual obligations

Grantee Responsibilities

Grantees must:

- Recommend debarment to OCRA when necessary
- Document circumstances clearly
- Cooperate with federal and state investigations

3.9.8. Detecting Suspected Fraud, Waste & Abuse

Grantees must implement procedures to identify FWA risks, including:

- Reviewing documentation for irregularities
- Verifying beneficiary certifications
- Confirming DOB calculations are supported by evidence
- Monitoring contractor invoicing patterns
- Identifying unreasonable or unallowable costs
- Verifying procurement compliance
- Checking for duplicate invoicing

Red flags must be documented and escalated immediately.

3.9.9. Reporting Requirements for Suspected Fraud

Mandatory Federal Reporting

Under **2 CFR 200.113**, any CDBG-DR grantee with credible evidence of:

- Federal criminal law violations (fraud, bribery, gratuities), or
- Violations of the civil False Claims Act

must promptly report in writing to:

- HUD Office of Inspector General (OIG)
    - Website: www.hudoig.gov/hotline/report-fraud
    - Phone: 1-800-347-3735
    - Email: hotline@hudoig.gov
- OCRA CDBG-DR Staff
    - Email: CDBG@ocra.in.gov

Documentation Requirements

Grantees must retain:

- All evidence supporting suspected violations
- Copies of reports submitted to HUD OIG
- Notes from internal investigations
- Communications with OCRA

Stop-Work Actions

If fraud is suspected:

- OCRA may issue a stop-work order
- Subrecipients must halt work under investigation
- Payments may be suspended pending review

3.9.10. Contractor Fraud Prevention (Beneficiary Support)

If a beneficiary becomes a victim of contractor fraud:

- The amount paid to the fraudulent contractor **will not** be deducted from the beneficiary's DOB calculation
- Additional assistance may be provided based on reassessed unmet needs

Required Documentation

Beneficiary must provide:

- A police report or official complaint filed **before** the CDBG-DR application date
- Proof of payment (cancelled check, bank statement)
- A written contract between the beneficiary and contractor

OCRA will review materials before determining supplemental assistance.

3.9.11. Beneficiary Fraud Prevention

Beneficiaries receiving CDBG-DR assistance must sign agreements specifying:

- Obligation to repay duplicative assistance received after award
- Requirement to notify grantee within 15 days if additional assistance is received
- Federal penalty warning language:

"Warning: Any person who knowingly submits a false claim or statement to HUD, or causes another to do so, may be subject to civil or criminal penalties under 18 U.S.C. 2, 287, 1001, and 31 U.S.C. 3729."

Failure to comply may result in repayment or legal action.

3.9.12. Monitoring and Compliance

During monitoring, OCRA will review:

- Contractor eligibility documentation
- SAM.gov and HUD LDP checks
- Subrecipient oversight practices
- Fraud reporting records
- Beneficiary agreements
- Procurement documentation
- Evidence of corrective actions

Subrecipients are monitored annually for five years after administrative closeout.

3.9.13. HUD Monitoring Alignment

This subsection satisfies HUD monitoring requirements concerning:

- Fraud prevention
- Conflict resolution
- Contractor eligibility
- Verification procedures
- Reporting suspected violations
- DOB recapture enforcement
- Beneficiary certification
- Internal controls

HUD will review evidence that grantees:

- Performed required clearance checks
- Reported suspected fraud
- Documented incidents appropriately
- Maintained accurate records
- Took corrective actions

3.10. CONFLICT OF INTEREST / STANDARDS OF CONDUCT

3.10.1. Purpose

This section establishes the conflict of interest and standards of conduct requirements governing all Community Development Block Grant – Disaster Recovery (CDBG-DR) programs administered by the State of Indiana. These requirements ensure:

- Integrity of program administration
- Transparency in procurement and contracting
- Protection against improper personal gain
- Accountability and ethical conduct
- Compliance with federal regulations, State law, and OCRA policy

These rules apply to all persons involved in selection, award, oversight, or administration of CDBG-DR activities.

3.10.2. Regulatory Authority

Conflict of interest and standards of conduct requirements derive from:

- **24 CFR 570.489(g)** (State CDBG conflict of interest requirements)
- **2 CFR 200.318(c)** (procurement standards of conduct)
- **24 CFR 570.611** (conflict of interest in CDBG program)
- **Indiana Code** procurement and ethics statutes
- OCRA CDBG-DR program policy notices
- Applicable CDBG Handbook guidance (State of Indiana)

Grantees must comply with all federal, state, and local rules governing ethical conduct and conflicts of interest.

3.10.3. Applicability

These standards apply to:

- OCRA staff
- LUG officials and employees
- Subrecipients
- Agents, consultants, contractors, and administrators
- Anyone working on behalf of OCRA or a grantee
- Elected officials and appointed officials
- Any individual with decision-making authority or access to inside information

3.10.4. General Conflict of Interest Standard

No individual may participate in the selection, award, or administration of a CDBG-DR-funded contract or activity **if a real or apparent conflict of interest exists.**

A conflict of interest exists when:

- The individual, or a member of the individual's immediate family,
- The individual's partner,
- An organization that employs or is about to employ any of the above parties,

has a financial or other interest in the firm or entity selected for award.

Conflicts apply in:

- Procurement
- Contracting
- Selection of beneficiaries

- Program administration
- Award of subrecipient agreements
- Any decision involving CDBG-DR funds

3.10.5. Prohibited Conduct

Individuals covered under this section **must not**:

- Solicit or accept gratuities, favors, or anything of monetary value from contractors, consultants, or beneficiaries.
- Participate in procurement when a real or apparent conflict exists.
- Make decisions that could result in personal gain or benefit.
- Use insider information to influence procurement or award outcomes.

Grantees must maintain documentation of compliance with these prohibitions.

3.10.6. Organizational Conflicts of Interest

A conflict of interest also exists when a consulting firm or contractor:

- Prepares procurement specifications (e.g., drafting RFP/RFQ/IFB documents), **and then competes** for the same procurement.
- Provides technical assistance that creates a competitive advantage for itself.
- Serves as both engineer and grant administrator on the same project.
- Serves as both planning consultant and grant administrator.

These scenarios are **prohibited** unless an approved exception is granted.

3.10.7. Required Standards of Conduct

All grantees must establish written standards of conduct that:

- Identify prohibited personal conflicts
- Identify prohibited organizational conflicts
- Establish procedures for disclosure
- Include disciplinary actions for violations
- Apply equally to employees, officers, agents, and representatives

Standards must be available upon request during monitoring.

3.10.8. Disclosure Requirements

Before entering agreements or contracts, the grantee must complete and retain:

- Contract Form 1: Applicant/Recipient Disclosure/Update Report
- Updates to disclosure forms throughout project implementation
- Final disclosure report listing all contracts associated with the project

Disclosure During Project Implementation

Grantees must promptly disclose:

- Any change in contractor or subcontractor relationships
- Any new potential conflict of interest

- Any interest acquired during project implementation
- Any change in employment or financial relationships that could create conflict

3.10.9. Exceptions to Conflict of Interest (Allowed Only When Approved)

- Under federal regulations, exceptions may be granted when:
- The exception serves the purposes of the CDBG-DR program; **and**
- The conflict has been publicly disclosed; **and**
- There is no undue benefit to the conflicted party; **and**
- The exception is requested using appropriate OCRA forms; **and**
- OCRA determines the exception is consistent with program integrity.

To request an exception, grantees must submit:

- Contract Form 1.5: Request for Conflict-of-Interest Exception
- Documentation supporting why the exception should be granted
- Explanation of why the conflict does not threaten program integrity

Grantees may not proceed with a procurement or award until OCRA provides written approval.

3.10.10. Special Conflict Provisions in CDBG-DR

The following special prohibitions apply to CDBG-DR:

Dual Roles

The same individual or firm may **not** serve simultaneously as:

- Grant administrator **and** project engineer
- Planning consultant **and** grant administrator

Consultant-Prepared Specifications

Consultants who draft RFPs, RFQs, procurement requirements, or bid specifications:

- **May not** submit responses to those procurements
- **May not** serve on evaluation panels

Grantee Decision-Making

Any person who participates in the selection, award, or administration of CDBG-DR funds:

- Must not have any ownership or financial interest in the entity selected
- Must not receive personal gain from program decisions

3.10.11. Handling Potential Conflicts

When a potential conflict is identified:

1. **Immediately disclose** the conflict to OCRA Grant Services.
2. **Cease participation** in decisions related to the contract or activity.
3. **Review** whether an exception request is appropriate.
4. **Document** all communication and actions taken.
5. **Replace** staff or reorganize duties to remove the conflict.

No contract or award may proceed until the conflict is resolved.

3.10.12. Monitoring, Enforcement & Corrective Actions

During monitoring, OCRA will review:

- Disclosure forms (initial and final)
- Standards of conduct policies
- Procurement documentation
- Contract Form 1.5 (if applicable)
- Records of conflict disclosures
- Documentation of exception decisions
- Actions taken to remedy conflicts

Violations may result in:

- Findings
- Suspension of drawdowns
- Repayment of funds
- Ineligibility for future grants
- Required staff retraining
- Procurement redo or contract termination

3.10.13. HUD Monitoring Alignment

This subsection fulfills HUD monitoring requirements related to:

- Published standards of conduct
- Effective conflict identification and disclosure
- Conflict-free decision making
- Contractor and subcontractor eligibility
- Proper use of exception procedures
- Ethics compliance during procurement
- Documentation sufficient for monitoring exhibits

HUD reviewers will examine:

- Disclosure forms
- Policies
- Procurement files
- Exception requests
- Evidence of integrity in decision-making processes

3.11. MONITORING

3.11.1. Purpose

Monitoring ensures that CDBG-DR funds are administered in compliance with federal regulations, the Universal Notice, and OCRA policies. The monitoring process evaluates performance, documentation, financial controls, procurement, environmental compliance, program eligibility, and adherence to cross-cutting requirements.

Monitoring is both:

- A HUD requirement

- A program management tool that helps ensure timely and compliant use of CDBG-DR funds

Monitoring applies to:

- OCRA
- Grantees (LUGs)
- Subrecipients
- Contractors and subcontractors
- All entities receiving or managing CDBG-DR funds

3.11.2. Types of Monitoring

OCRA conducts the following types of monitoring for CDBG-DR projects:

1. Pre-Award Monitoring

Evaluates readiness of applicants, including:

- Financial and engineering updates
- Site control
- Capacity assessments
- Confirmation that proposed projects meet threshold eligibility

2. Ongoing Monitoring During Project Implementation

Includes:

- Oversight of procurement
- Verification of compliance with environmental review requirements
- Review of drawdown documentation
- Verification of contractor eligibility
- Timeliness monitoring
- Resolution of complaints

3. Closeout Monitoring

Occurs after completion of project activities to verify:

- Eligibility of activities
- Compliance with national objectives
- Documentation of expenditures
- Completion of required reporting
- Recordkeeping
- Physical inspection of facilities/improvements when applicable

4. Subrecipient Long-Term Monitoring

For grants involving subrecipients:

- Annual monitoring for five years following administrative closeout
- Verification that facility/program use remains compliant with grant agreement

5. HUD Monitoring

HUD may conduct supplemental desk or onsite monitoring to evaluate:

- Implementation of CDBG-DR programs
- Compliance with federal requirements
- Accuracy of OCRA's monitoring practices

3.11.3. Monitoring Methods

Desk ("Remote") Monitoring

Used for:

- Planning
- Blight clearance
- HOPE (homeowner rehab)
- Economic development
- Public services
- Desk monitoring requires the grantee to upload documentation to GMS within required timelines.

Onsite Monitoring

Used for:

- Construction-based projects
- Infrastructure
- Projects with large budgets or complex scopes
- Scheduled within **60 days** of closeout request and requires all documentation to be available for review.

3.11.4. Areas of Review (Standard Monitoring Modules)

Monitoring examines compliance in the following areas:

1. Financial Management

Includes:

- Financial records
- Ledgers
- Cash control
- Drawdowns
- Documentation of expenditures
- Program income reporting
- Compliance with 5-day expenditure rule

2. Procurement

Includes:

- Procurement method
- Evidence of competitive processes
- Certified mail outreach to MBE/WBE firms
- Documentation of bids/proposals

- Conflict-of-interest compliance
- Contractor eligibility verification

3. Environmental Review

Includes:

- ERR completeness
- No choice-limiting actions
- Floodplain compliance
- Lead-based paint documentation
- Public notices

4. Labor Standards

Includes:

- Verification of Davis-Bacon applicability
- Wage determination documentation
- Certified payrolls
- Contractor/subcontractor verification

5. Program Compliance

Includes:

- Eligibility of activities
- National objective compliance
- Beneficiary qualification
- DOB calculations
- Mitigation measure documentation
- Housing rehab requirements

6. Timeliness

Includes:

- Adherence to 18-month or 12-month deadlines
- Milestone progress
- Drawdown pace
- Documentation of delays
- Time extension modifications (if applicable)

7. Civil Rights / Fair Housing

Includes:

- ADA compliance
- Title VI compliance
- Affirmatively Furthering Fair Housing reporting
- Documentation of outreach efforts

8. Recordkeeping

Includes:

- Completeness of files
- Organization and accessibility
- Retention of required forms
- Proper file security for personal information

9. Public Outreach & Citizen Participation

Includes:

- Public hearing documentation
- Notices
- Minutes
- Evidence of public input consideration

3.11.5. Monitoring Documentation Requirements

Grantees must upload monitoring documents to GMS or make them available onsite. Required documentation includes:

- All procurement files
- Environmental Review Record (ERR)
- Financial ledgers
- Program income documentation
- Labor standards materials
- Housing rehab file documentation (HOPE)
- Contractor/subcontractor eligibility verification
- Beneficiary income certification records
- DOB worksheets and supporting documentation
- Mitigation measure documentation
- Public hearing documentation

3.11.6. Monitoring Process and Timelines

Step 1: Monitoring Notification

OCRA notifies grantee via GMS of:

- Monitoring type
- Scope
- Required documentation
- Timeline

Step 2: Documentation Submission or Scheduling

Depending on project type:

- Desk review: Documents uploaded within **60 days** of closeout request approval
- Onsite review: Monitoring scheduled within **60 days** of closeout request

Step 3: Monitoring Review

OCRA reviews:

- All required documentation
- Physical site (onsite only)
- Compliance with program rules and federal regulations

Step 4: Preliminary Monitoring Results

OCRA issues a Preliminary Monitoring Results Letter, identifying:

- Tentative findings (can be resolved)
- Unresolved findings (not entirely removable)

Step 5: Grantee Response

Grantee must respond within:

- 30 days of letter date

Responses must include:

- Requested corrections
- Missing documentation
- Clarifications

Step 6: Final Monitoring Results

OCRA issues a Final Monitoring Results Letter, indicating:

- Resolved findings
- Remaining unresolved findings
- Required follow-up actions

Step 7: Eligibility Implications

Grants with unresolved findings:

- Are considered overdue
- Cannot apply for additional OCRA funding
- May have other restrictions until findings are fully resolved

3.11.7. Common Findings

Typical findings include:

- Incomplete ERR
- Choice-limiting actions
- Missing procurement documentation
- Ineligible contractor (failed SAM/LDP check)
- Late semi-annual reports
- Missing DOB documentation
- Missing income verification
- Improper file retention
- Unallowable costs
- Missing labor standards documentation

3.11.8. Corrective Actions

Corrective actions may include:

- Submission of missing documents
- Revision of procurement
- Contractor removal
- Repayment of funds
- Filing late reports
- Updating policies
- Internal training
- Adoption of revised procedures

Failure to complete corrective actions may lead to:

- Termination of grant
- De-obligation
- Repayment
- Ineligibility for future funds

3.11.9. Subrecipient Monitoring

For projects with subrecipients:

- Subrecipients must submit semi-annual reports for five years after administrative closeout
- OCRA performs annual monitoring during the five-year period
- Grantees remain responsible for performance oversight

3.11.10. HUD Monitoring Alignment

This section fulfills HUD monitoring exhibit requirements for:

- Timeliness
- Procurement
- Environmental review
- National objectives
- Financial management
- Labor standards
- Lead-based paint
- Fraud/Waste/Abuse
- DOB compliance
- Recordkeeping
- Citizen participation
- Subrecipient oversight

HUD will review state monitoring practices for completeness, consistency, and adequacy.

3.12. RECORDKEEPING

3.12.1. Purpose

Recordkeeping ensures that all CDBG-DR-funded activities are properly documented, traceable, compliant, and verifiable during monitoring, audit, and closeout.

Grantees must maintain complete, accurate, and well-organized records to demonstrate that:

- Activities are eligible
- Funds were used appropriately
- National objectives were met
- Cross-cutting federal requirements were followed
- Procurement and financial systems complied with federal and state law
- Environmental review was completed prior to any choice-limiting actions
- Mitigation measures and DOB determinations were properly documented

All requirements in this section apply to grantees, subrecipients, contractors, and any entity administering CDBG-DR funds.

3.12.2. Regulatory Authority

Recordkeeping requirements are established under:

- 2 CFR 200.302 and 200.333 (financial management & retention)
- 24 CFR 570.506 (general CDBG recordkeeping)
- 24 CFR Part 58 (ERR documentation)
- Universal Notice (FR–6489–N–01)
- HUD DR monitoring exhibits
- OCRA CDBG handbook requirements

3.12.3. General Recordkeeping Standards

Grantees must maintain records that are:

- Accurate
- Complete
- Up-to-date
- Accessible during monitoring or audit
- Secured to protect personally identifiable information (PII)
- Organized in digital and/or hard-copy form
- Stored in a central location accessible to grant administrators and authorized reviewers

PII must be securely stored. Social Security numbers must not be used as identifiers unless required; the last four digits may be used as an alternative.

3.12.4. Required Recordkeeping Categories

Grantees must maintain records in the following categories:

1. Administrative Records

- Grant agreement and amendments
- Notices of award
- Correspondence with OCRA
- Policies and procedures adopted by the grantee
- RARAP (Residential Anti-Displacement and Relocation Assistance Plan)
- Citizen participation documentation
- Public notices and hearing materials

2. Financial Records

- All mandated ledgers and registers:
  - Federal Cash Control Register
  - Contract Obligation Control Ledger
  - Contract Expenditure Ledger
  - Property Inventory Ledger
  - Local Match Ledger
- Financial Management Forms (as applicable)
- Drawdown documentation and receipts
- Bank records, cancelled checks, and payment vouchers
- Quarterly program income reports
- Semi-annual reports

3. Procurement Records

- RFP/RFQ/IFB documents
- Advertisements and certified mail receipts
- Bids and proposals
- Evaluation and scoring sheets
- Interview materials
- Bid tabulations
- Cost/price analyses
- Contractor/subcontractor SAM.gov & HUD LDP checks
- Final executed contracts

4. Environmental Review Records (ERR)

Must include all documentation required under 24 CFR Part 58:

- Environmental review checklists
- Floodplain and wetland maps
- Lead-based paint screening documents
- SHPO consultation
- Environmental classifications
- Public notices (NOI/RROF, FONSI)
- Documentation that no choice-limiting actions occurred prematurely

5. Programmatic Records

Depending on program type (HOPE, DRIP, BEP, ERP, MIT), records must include:

Housing (HOPE)

- Income verification
- DOB worksheets
- Lead hazard documents
- Site inspections and scope-of-work documents
- Construction progress records
- Warranty documentation for reconstruction projects

Infrastructure (DRIP)

- Engineering plans
- Permits
- Environmental and floodplain documentation
- Contractor performance records

Blight Elimination (BEP)

- Acquisition documents
- Demolition records
- Hazardous materials testing
- Site photos

Economic Revitalization (ERP)

- Business eligibility documentation
- Job creation/retention records
- Evidence of tieback to disaster impacts

MIT (Mitigation Set-Aside)

- Hazard identification documentation
- Mitigation benefit analysis
- Alignment with hazard mitigation plans

6. Labor Standards Records (as applicable)

- Wage determination notices
- Pre-bid conference materials
- Certified payrolls
- Contractor and subcontractor verification documents
- Labor compliance correspondence

7. Relocation Records

- All notices provided to tenants
- Temporary relocation agreements
- Reimbursement receipts
- Relocation advisory documentation
- Evidence of decent, safe, sanitary temporary housing

8. Monitoring Records

- Preliminary and final monitoring letters
- Grantee responses
- Evidence supporting resolution of findings

9. Closeout Records

- Closeout request
- Administrative and financial closeout forms

- Final expenditure records
- Final performance reports

3.12.5. Documentation Submission Requirements

Submission to GMS

Grantees must upload records into the **Indiana Grants Management System (GMS)** when:

- Requested by OCRA
- Required for monitoring
- Necessary for closeout

Incomplete documentation may delay Release of Funds, approval of drawdowns, or closeout.

Onsite Availability

During onsite monitoring, records must be:

- Immediately accessible
- Organized
- Complete and up to date

Records not available at the time of monitoring may result in findings.

3.12.6. Record Retention Period

Records must be retained for three (3) years after OCRA closes the grant with HUD.

Notes:

- Retention periods may exceed **10 years**, depending on HUD closeout timing.
- OCRA will notify grantees when official program closeout occurs and provide retention end dates.

Grantee records must be retained for **five (5) years after administrative closeout**, during the long-term monitoring period.

3.12.7. Access to Records

Authorized entities may access records upon request, including:

- HUD
- HUD OIG
- U.S. Comptroller General
- State Board of Accounts (SBOA)
- OCRA
- Inspectors representing federal or state oversight

Grantees and subrecipients must provide access to:

- Books
- Records
- Accounts
- Documents

- Papers
- Electronic files

3.12.8. Confidential Information Requirements

Grantees must safeguard personally identifiable information (PII) such as:

- Social Security numbers
- Birthdates
- Tax returns
- Driver's licenses
- Financial account information

Access must be limited to personnel who require it.

3.12.9. File Organization Recommendations (Best Practice)

Grantees should separate files into folders such as:

- Environmental Review
- Procurement
- Financial Management
- Programmatic Requirements
- Labor Standards
- Monitoring
- Closeout
- Correspondence

This structure reduces missing documentation findings during monitoring.

3.12.10. HUD Monitoring Alignment

This section satisfies HUD monitoring requirements for:

- Record completeness
- Documentation availability
- Record retention
- Financial documentation
- Procurement records
- ERR completeness
- Relocation documentation
- Civil rights compliance records
- Subrecipient oversight documentation
- Closeout documentation

HUD reviewers will examine recordkeeping systems closely during monitoring.

3.13. MODIFICATIONS

3.13.1. Purpose

This section establishes policies and requirements for requesting **modifications** to CDBG-DR grants. Modifications ensure that changes to a project's scope, timeline, budget, location, or beneficiaries remain compliant with federal requirements, the Universal Notice, OCRA policies, and the original intent of the award.

Modifications must only occur when necessary and must be reviewed and approved by OCRA before any associated activity is carried out.

3.13.2. Applicability

Modification procedures apply to any change in:

- Project scope
- Budget allocations
- Project goals or accomplishments
- Timeline or period of performance
- Location or project beneficiaries
- Funding amounts
- Professional services or construction activities
- Other substantive project elements that impact compliance or monitoring

These requirements apply to all CDBG-DR programs (HOPE, DRIP, BEP, ERP, MIT, Planning).

3.13.3. General Requirements for All Modifications

Requirement 1: Modifications Must Be Submitted Through GMS

All modification requests must be formally submitted in the **Indiana Grants Management System (GMS)** along with required documentation.

Requirement 2: No Work May Proceed Before Approval

Activities related to a requested modification may **not** begin until OCRA provides written approval.

Requirement 3: Modifications Must Be Justified

The grantee must explain:

- Why the modification is needed
- Why the change could not be anticipated
- How the change aligns with the approved project
- Whether alternatives were considered

Requirement 4: Federal and State Compliance Must Be Maintained

Actions requiring additional environmental review, procurement, or contract amendment must comply with all relevant rules before proceeding.

Requirement 5: OCRA Review

OCRA evaluates whether:

- The modification presents any deterrent to meeting federal or state policy
- The grant would still meet scoring criteria for award if modified

- Financial and programmatic performance supports the modification
- Outstanding findings or overdue reports affect eligibility

3.13.4. Categories of Modifications

Modifications fall into one of three categories based on significance and documentation required.

Category 1: Minor Modifications

Examples include:

- Extensions of project completion dates
- Minor budget adjustments between line items
- Changes to grant goals by **less than 10%**

Documentation Required:

- Written explanation from the Chief Elected Official (CEO) and project engineer (if applicable)
- Revised budget, if applicable

Category 2: Moderate Modifications

Examples include:

- Budget changes moving **more than 10%** between line items
- Changes to grant goals by **more than 10%**
- Adjustments that may affect intended project outcomes

Documentation Required:

- Written explanation from CEO and project engineer
- Public hearing (with proper notice)
- Proof of publication
- Hearing minutes and sign-in sheets
- Statement addressing citizen comments
- Revised budget

Category 3: Major Modifications

Examples include:

- Changes to project location or beneficiaries
- Requests for additional funding
- Adjustments to project participation (e.g., adding or changing subrecipients)

Documentation Required:

- Written explanation
- Revised budget
- Public hearing (with proper notice)
- Minutes, sign-in sheets, and citizen comment resolution
- Governing board resolution approving the modification

3.13.5. Public Hearing Requirements for Category 2 and 3 Modifications

When required, public hearings must:

- Be advertised at least **10 days** in advance in a newspaper of general circulation
- Include date, time, and location
- Provide opportunity for public comment
- Have sign-in sheets and minutes documenting participation
- Be conducted in ADA-accessible locations

Public hearing documentation must be uploaded to GMS.

3.13.6. Conditions for OCRA Denial of Modification Requests

OCRA may deny a modification request if:

- The change affects project eligibility
- The change undermines program objectives or mitigation requirements
- Significant federal or state compliance risks are created
- The grantee has unresolved monitoring findings
- The grantee has overdue reports or audits
- The modification causes the project to fall below competitive scoring thresholds

3.13.7. Effects of Modifications on Environmental Review

Modifications affecting:

- Location
- Scope
- Project activities
- Beneficiary impact

may require supplemental environmental review before approval.

No modified activities may begin until ER is complete.

3.13.8. Change Orders vs. Modifications

A **change order** affects a **construction contract** only and is not a modification unless it:

- Changes project scope
- Affects budget line items requiring reallocation
- Impacts environmental or procurement compliance
- Results in a time extension

Change orders requiring contract amendments must comply with procurement and ER rules.

3.13.9. Effects on Project Timeliness

Time extension requests (Category 1):

- Must be submitted **on or before** the assigned deadline
- Must provide justification supported by the project engineer
- May affect expenditure timeliness monitoring

Modifications extending timelines must be included in semi-annual reports.

3.13.10. Documentation Requirements

Each modification request must include:

- Full explanation of the requested change
- Revised budget or scope documents
- Public hearing documentation (if required)
- Supporting technical materials from engineer/architect
- Governing board resolution (Category 3)
- All required GMS uploads

Documentation must be retained in the grant file for the full retention period.

3.13.11. HUD Monitoring Alignment

This section fulfills HUD monitoring criteria related to:

- Change management
- Documentation of modifications
- Public hearing compliance
- Correct use of grant funds
- Proper justification for scope/budget/time changes
- Maintenance of national objectives
- Required environmental review adjustments

HUD will review:

- Modification documentation
- Public hearing materials
- Revised budgets
- Evidence the modification preserved compliance

3.14. REPORTING & CLOSEOUT

3.14.1. Purpose

This section establishes the reporting and closeout requirements for CDBG-DR grants. Accurate reporting and timely closeout ensure compliance with federal regulations, the Universal Notice, and OCRA policy. Reporting documents progress, expenditures, compliance, and performance, while closeout ensures projects meet all requirements and that federal funds have been used correctly.

3.14.2. Applicability

These requirements apply to all:

- Grantees (LUGs)
- Subrecipients
- Contractors and vendors submitting required documentation
- All CDBG-DR programs (HOPE, DRIP, BEP, ERP, MIT, Planning)

3.14.3. Semi-Annual Reporting

Required Semi-Annual Reporting Periods

Grantees must submit semi-annual reports in GMS covering:

- January 1 – June 30
  Report due: **July 31**
- July 1 – December 31
  Report due: **January 31**

Semi-annual reports document:

- Project status
- Milestones completed
- Drawdowns and expenditures
- Issues affecting timeliness
- Environmental compliance status
- Procurement actions
- Beneficiary data (as applicable)

Consequences for Late Reports

If reports are delinquent:

- Claim vouchers will not be processed
- No additional funds will be awarded
- Grantee becomes ineligible for future OCRA funding until resolved

3.14.4. Subrecipient Reporting Requirements

Subrecipients must submit semi-annual reports for **five (5) years after administrative closeout**, documenting:

- Program performance
- Facility compliance
- Insurance requirements
- Continued use of the facility for the original grant purpose

Grantees remain responsible for monitoring subrecipient performance.

3.14.5. Program Income Reporting

If program income is generated:

- Quarterly program income reports must be submitted
- Reports must match the Local Match Ledger and Program Income Register
- Program income must be substantially disbursed before drawing additional federal funds

3.14.6. Additional Required Reporting (as applicable)

Depending on program and project type, grantees may be required to submit:

- Labor Standards documentation
- Section 3 reporting

- Fair Housing compliance reporting
- Job creation/retention documentation (ERP)
- Housing beneficiary demographic reporting (HOPE)
- Mitigation performance reporting for MIT and construction programs
- Reports documenting warranty compliance for HOPE reconstruction projects

3.14.7. Purpose of Closeout

Closeout verifies that:

- The grant agreement requirements were completed
- All activities met federal and state compliance standards
- Beneficiaries were properly served
- All funds were expended on eligible activities
- No unresolved liabilities remain

3.14.8. Closeout Preconditions

Before initiating closeout:

1. Final claim voucher must be submitted and processed
2. No contingent liabilities may remain (unless approved by OCRA)
3. All project activities must be complete
4. All costs must be incurred and paid before the scheduled monitoring date

If conditions are met, the grantee may initiate the closeout request via GMS.

3.14.9. Closeout Process Overview

Closeout consists of **five steps**, each documented by OCRA and the grantee.

Step 1: Grantee Performance Reporting

Grantee submits a **Closeout Request** in GMS:

- On or before project completion date
- Or within 30 days of the last claim submission

Step 2: Monitoring

Monitoring can be:

- Desk monitoring (remote)
    - Used for Planning, Blight Clearance, HOPE, Economic Development/Recovery, Public Services
    - Documentation must be uploaded within **60 days** of closeout request approval
- Onsite monitoring
    - Used for most infrastructure and construction projects
    - Must be scheduled within **60 days** of closeout request approval

Step 3: Administrative/Financial Closeout

After monitoring:

- Grantee submits Closeout Monitoring Form 2: Financial Settlement/Expenditure & Administrative Closure Report
- Semi-annual reporting stops once administrative closeout is achieved (not applicable for subrecipients)

Step 4: Audits

Audit requirements depend on:

- Federal expenditures
- State Board of Accounts review cycles

If findings exist:

- Grantee must resolve findings with SBOA
- Certificate of Completion cannot be issued until findings are resolved

Step 5: Certificate of Completion

Issued when:

- All monitoring findings are resolved
- Audits are complete
- No outstanding liabilities remain

For projects with subrecipients, the Certificate of Completion is issued only **after a 5-year compliance period.**

Once issued:

- No further reporting is required
- Record retention requirements still apply for at least **three years after OCRA closes the grant with HUD**

3.14.10. Post-Closeout Facility Use Requirements

For applicable programs (e.g., DRIP, BEP, public facilities projects):

- Facility use must remain consistent with the grant purpose for **five years**
- Changes in facility use require advanced written approval from OCRA

3.14.11. Common Closeout Findings

Findings during closeout often include:

- Unallowable costs
- Missing procurement documentation
- Incomplete ERR
- Missing DOB documentation
- Insufficient recordkeeping
- Incomplete labor standards documentation
- Unresolved program income balances

Final closeout cannot proceed until all findings are resolved.

3.14.12. Responsibilities of Grantees and Subrecipients

Grantees Must:

- Maintain full documentation
- Resolve all findings
- Submit closeout forms on time
- Provide subrecipient oversight
- Ensure continued facility use compliance
- Complete all reporting requirements

Subrecipients Must:

- Submit semi-annual reports for 5 years
- Retain required records
- Allow OCRA monitoring

3.14.13. HUD Monitoring Alignment

This section satisfies HUD monitoring elements related to:

- Reporting completeness and timeliness
- Financial settlement documentation
- Record retention
- Closeout compliance
- Monitoring follow-up
- Audit resolution
- National objective verification
- Subrecipient oversight for continued compliance

HUD may review:

- Closeout documentation
- Monitoring records
- Audit reports
- Certificates of Completion
- Evidence of long-term facility use compliance

4. UNIFIED POLICIES AND REFERENCES

4.1. DUPLICATION OF BENEFITS (DOB)

4.1.1. Purpose

This section establishes the unified policies and procedures for identifying, verifying, preventing, and addressing **Duplication of Benefits (DOB)** across all CDBG-DR programs administered by the State of Indiana.

DOB refers to assistance received from multiple sources for the **same purpose**, **same need**, or **same eligible cost**. Federal law prohibits the use of CDBG-DR funds for costs that have already been paid by other sources.

DOB requirements apply to:

- Units of general local government (UGLGs)
- Subrecipients
- Contractors
- Direct beneficiaries (households, businesses, property owners)
- All activities under HOPE, DRIP, BEP, ERP, MIT, and PP

DOB enforcement is mandated by **Section 312 of the Stafford Act**, HUD's policies in the Universal Notice, and OCRA's DOB policies and guidance.

4.1.2. Regulatory Authority

DOB requirements are established by:

- Stafford Act §312 (42 U.S.C. 5155)
- CDBG-DR Universal Notice (FR–6489–N–01)
- HUD DOB Guidance and Optional Worksheet
    - https://www.hud.gov/sites/dfiles/CPD/documents/CDBG-DR/Optional_DOB_Analysis_Worksheet_PDF.pdf
- OCRA DOB Policies
    - CDBG-DR 2025-004 DOB Policy
    - CDBG-DR 2025-005 DOB Non-Pursuit of Monetary Remedies Policy

These regulations require grantees to:

- Prevent DOB **before** assistance is provided
- Document DOB analysis in beneficiary and project files
- Recover duplicative assistance **after** an award, unless exempt under OCRA's non-pursuit policy

4.1.3. Unified DOB Principles

All CDBG-DR activities must adhere to the following principles:

No CDBG-DR Funds May Pay the Same Cost Twice

If another funding source (e.g., FEMA, SBA, insurance, charitable assistance) pays for all or part of a cost, CDBG-DR may not duplicate that financial assistance.

All Assistance Must Be Verified and Documented

Beneficiaries must disclose **all funds received or expected**. Grantees must attempt third-party verification when feasible.

CDBG-DR Award = Total Need – Other Assistance – Duplicative Amounts

DOB calculation must be completed using HUD's Optional Worksheet.

Subrogation Agreements Are Mandatory

All recipients must sign an agreement committing to repay duplicative assistance received after award.

DOB Review Occurs at Three Stages

- Application intake
- Eligibility determination and award calculation
- Closeout (to confirm no additional DOB occurred)

Reasonable effort standard

If third-party documentation cannot be obtained despite reasonable effort, beneficiaries may provide **self-certification** with documented justification.

4.1.4. Types of Assistance Considered in DOB

DOB evaluation includes **actual or anticipated** assistance from:

Federal Sources

- FEMA Individuals & Households Program (IHP)
- FEMA Hazard Mitigation
- SBA loans
- USDA-RD disaster assistance
- USACE assistance

State and Local Sources

- State disaster funds
- County/municipal emergency assistance

Insurance

- Homeowner insurance
- Renters insurance
- Flood insurance (NFIP)

Private / Charitable Sources

- Nonprofits
- Religious organizations
- Philanthropic grants

Other Potential Sources

- Legal settlements
- Contractor reimbursements
- Donations if tied to specific damages/needs

4.1.5. Costs Not Considered DOB

Not all forms of funding are duplicative.

The following do *not* count as DOB:

- Assistance received for **different** purposes
- Assistance restricted to categories CDBG-DR cannot fund
- Insurance payouts for personal property when CDBG-DR funds only structural repairs

- Fundraising proceeds
- Interest earned on CDBG funds before disbursement
- Program income

4.1.6. Standard DOB Calculation Process

A complete DOB analysis must:

1. Identify the purpose of the assistance requested
2. Calculate the total need (reasonable and necessary costs)
3. Identify all actual/anticipated assistance
4. Verify assistance through third-party documentation
5. Deduct duplicative assistance
6. Determine unmet need
7. Apply program caps
8. Determine CDBG-DR award amount

This calculation must be included in all DOB worksheets and must be uploaded into GMS.

4.1.7. Documentation Requirements

Beneficiary files must contain:

- Completed DOB Worksheet
- All third-party verification attempts (FEMA, SBA, insurers)
- Beneficiary certification of assistance received
- Subrogation agreement
- Written explanation if self-certification was used
- DOB determination and award calculation
- Verification at closeout that no additional assistance was received

4.1.8. Program-Specific DOB Policies

Although DOB rules are uniform, certain programs require additional DOB considerations.

HOPE Program – Housing

HOPE requires:

- Full household DOB analysis
- Third-party verification whenever possible
- Award determination based on DOB and unmet need
- Beneficiaries to notify OCRA within **15 days** of receiving additional assistance
- DOB exceptions for displacement/urgent need (80–120% AMI households)

Additionally:

- CDBG-DR may not pay costs reimbursable by FEMA or USACE
- HOPE cases involving contractor fraud may receive additional assistance to restore unmet need (fraud amounts are *not* counted as DOB if documented)

DRIP Program – Infrastructure

DRIP DOB generally applies to:

- FEMA Public Assistance (PA)
- Other infrastructure recovery funding
- Local/utility match contributions

If DRIP receives assistance for the same infrastructure costs from FEMA or others, DOB must reduce the CDBG-DR award.

BEP Program – Blight Elimination

DOB applies if:

- Acquisition costs are covered by other sources
- Demolition costs were reimbursed or funded by FEMA/USACE

FEMA/USACE-eligible demolition is **ineligible** for CDBG-DR, preventing DOB by design.

ERP Program – Economic Revitalization

ERP DOB requirements include:

- Detailed business DOB worksheet
- Verification of disaster-related revenue loss
- Verification of business insurance claims, SBA loans, nonprofit assistance
- Subrogation agreement required for each business

MIT Program – Mitigation Set-Aside

DOB rules vary by activity type:

- **Direct-benefit projects** require full DOB analysis (e.g., housing mitigation).
- **Indirect-benefit projects** (public infrastructure mitigation) require DOB review to ensure no duplicative federal mitigation funds are used.

Planning Program

Planning grants generally have **no DOB implications** because:

- FEMA PA does not fund planning-only activities
- CDBG-DR planning and FEMA hazard mitigation planning do not overlap

However, DOB review is still required to confirm no duplicative use of other planning funds.

4.1.9. Recapture Requirements

If duplicative assistance is discovered **after** award:

- Grantee must enforce repayment
- Beneficiary must repay duplicative amount
- OCRA must be notified within **15 days**
- OCRA may require grant adjustments or recapture

DOB repayment policies must be included in award agreements.

4.1.10. OCRA Non-Pursuit of Monetary Remedies Policy

Under Policy Notice **CDBG-DR 2025-005**, OCRA will **not pursue DOB monetary remedies** in the following cases:

10. Death, Foreclosure, Bankruptcy

DOB will **not** be collected if the beneficiary:

- Is deceased
- Is in foreclosure
- Is in bankruptcy proceedings

11. LMI Subsequent Federal Assistance (up to $27,000)

OCRA will not pursue DOB when:

- A low-/moderate-income beneficiary later receives federal assistance for the same purpose
- The amount does not exceed **$27,000**

12. Limitations

This policy:

- Does **not** exempt grantees from preventing DOB before award
- Does **not** apply in cases of fraud, false claims, or misrepresentation

4.1.11. Fraud and DOB

DOB cannot be waived when:

- Fraudulent applications are submitted
- Beneficiaries intentionally conceal assistance
- Contractors commit fraud unless beneficiary is a documented victim

Victims of contractor fraud may receive additional assistance **without causing DOB** (HOPE-specific rule).

4.1.12. Required Forms & Tools

Forms referenced (placed in Appendix):

- DOB Worksheet
- Beneficiary Assistance Certification
- Subrogation Agreement
- Contractor Fraud Documentation (if applicable)
- Third-party verification forms (FEMA, SBA, insurance)