

The Indiana Office of Community & Rural Affairs (“OCRA”) in collaboration with the Lt. Governor’s Office – Division of Grant Services has revised the “Grant Closeout & Beyond” policies and procedures currently outlined in the OCRA CDBG Handbook (last updated August 2019) and has requested public comment from communities, OCRA CDBG-certified grant administrators, and other practitioners who may be impacted by the proposed revisions. The effective date of the closeout policy is **January 16th, 2023**. These changes are summarized below with detailed markups provided on the subsequent pages.

Closeout Request Initiation

- Closeout Form 1: Grantee Performance Reporting is retired. Closeout requests are now submitted electronically in eGMS.

Venue of Monitorings

- Planning (PL), Blight Clearance (BCP), Owner-Occupied Rehab (OOR), Economic Development/Recovery and Public Services projects will be monitored remotely (desk monitoring).
- All other grants will be monitored onsite unless prior approval for a desk monitoring has been given by Grant Services.

Monitoring Preparation & Time Commitments

- Onsite monitorings must be scheduled to take place within sixty (60) days of the closeout request being submitted. All requested monitoring documentation must be available for onsite review.
- Desk monitorings must be ready to take place with all requested monitoring documentation uploaded to the Monitoring page in eGMS within 60 days of the closeout request being submitted.
- When documentation is not available or findings have been made, Grantees are given thirty (30) days to provide missing documentation or a resolution to a finding. Previously this was fifteen (15) days to provide documentation and 30 days for findings.

Administrative Closeout

- Closeout Form 2: Financial Settlement/Expenditure Report and Closeout Form 3: Administrative Closeout are retired. Both forms are combined into a single [Closeout Monitoring Form 2: Financial Settlement/Expenditure & Administrative Closeout Report](#).

Key for Understanding Edits

- ~~Red text with strikethrough indicates this text has been slated for removal.~~
- **Black text with bold, underline indicates this text has been added as new content or rewritten.**
***New Hyperlinks will be in blue.**
- Black text with no formatting indicates no changes; this text is original.

GRANT CLOSEOUT & BEYOND

Overview

The closeout and settlement process is the final phase of the Community Development Block Grant (CDBG) project administration. This process is comprised of a series of activities to verify that the requirements of the agreement between the Office of Community and Rural Affairs (OCRA) and the Grantee have been completed. After activities are completed and funds drawn down, closeout can begin. This chapter will discuss the steps associated with the grant closeout process.

Closeout Process

~~It is the responsibility of the Grantee, with the assistance of the grant administrator, to initiate the closeout process no later than 30 days after project completion and the last CDBG claim has been processed. (If CDBG funds were simply used for the acquisition of property, the Grantee should wait to initiate the closeout process until the project is complete and all stated objectives have been met.) Regardless, the project must be completed by the completion date specified in the grant agreement. Claim vouchers received after the stated completion date will not be processed.~~

Grantees, with the assistance of the grant administrator, must initiate the closeout process by submitting a closeout request within thirty (30) days of the last claim being submitted. Claims must be submitted in eGMS on or before the completion date specified in the grant agreement to be processed. Any claim vouchers submitted after the stated completion date will not be processed.

To initiate the closeout process, the following conditions must be met:

1. The last claim voucher must be submitted for processing.
2. No contingent liabilities should be outstanding unless Grant Services provides their written consent.
3. All project activities must be completed, and the new facility or improvement must be available for use by the grant beneficiaries.
4. All costs must be incurred and paid **before the scheduled monitoring date.**

When these stated conditions have been met, the Grantee should immediately proceed with the closeout process.

CDBG Closeout & Monitoring Policies/Procedures



The closeout process involves four distinct progressive steps: 1) Grantee Performance Reporting, 2) Grant Monitoring, 3) Administrative/Financial Closeout, 4) Audits, and 5) Final Closeout.

Step 1: Grantee Performance Reporting

~~Closeout Form 1: Grantee Performance Report must be submitted to Grant Services within 30 days after the project's completion date. Once approved, Grant Services personnel will contact the Grantee through their grant administrator to set up a date for the on-site monitoring to be conducted. Planning grant monitoring is typically conducted by desk review instead of on-site. To facilitate that process, when submitting a Performance Report for a Planning Grant, you are asked to include that documentation identified on Closeout Form 1a: Planning Grant Monitoring Checklist. This applies only to planning grants.~~

A Closeout Request must be submitted in eGMS by accessing the Grantee's Grant Admin Record and selecting "Start Closeout Request" in the dropdown list of available status reports and requests. Once approved, Grant Services will contact the Grantee through its grant administrator to set up a date for the monitoring. All Planning (PL), Blight Clearance (BCP), Owner-Occupied Rehab (OOR), Economic Development/Recovery, and Public Services projects will be monitored remotely as a desk monitoring in eGMS. All other projects will undergo an onsite monitoring. Unless otherwise noted by Grant Services at approval of the closeout request, all other projects will be monitored onsite.

Step 2: Grant Monitoring

~~Grant Services will conduct an on-site monitoring to review all grant documentation, financial records, and the actual facility and/or improvements. The purpose of the monitoring is to verify that the project has met the stated goals and objectives and all of the federal CDBG regulations and that all contractors, subcontractors and suppliers have been paid in full and provided final lien waivers.~~

Grant Services will conduct a monitoring, either remotely or onsite, to review all grant documentation, financial records, and when practical, the actual facility/improvements. The purpose of the monitoring is to verify that the project has met the stated goals and objectives and all federal CDBG regulations, and that all contractors, subcontractors, and suppliers have been paid in full and provided final lien waivers. Successful monitoring meetings largely depend upon the organization and accuracy of recordkeeping by the grant administrator. ~~A Monitoring Manual as used by Grant Services to conduct the monitoring is available for review on OCRA's website in CDBG Resources.~~ **Construction Monitoring and Planning Monitoring checklists have been created to aid Grantees and grant administrators in preparing for a monitoring and are posted on the [OCRA CDBG Resources](#) webpage.**

~~If required materials are not available on the date of the monitoring, Grant Services will request the Grantee or grant administrator submit the required documentation within 15 days. If not submitted within 15 days, the issues will be listed on the official monitoring letter as a finding. The Grantee will be ineligible for CDBG funding on any project until such issues are resolved. Within 30 days after the monitoring meeting or desk review, Grant Services will~~

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forward a letter to the Grantee informing them of their grant status. This letter will state one of the following results:

- ~~No Findings: If the Grantee's performance was found to be in compliance with all CDBG and OCRA regulations, Grant Services will state that the project had no findings and inform the Grantee to proceed to the next step of the closeout process.~~
- ~~Unresolved Findings: If compliance issues were raised at the monitoring meeting, Grant Services will address these issues in writing. The Grantee will then have 30 days to resolve these issues. After Grant Services reviews the submitted documentation, Grantee will be advised how to proceed with the closeout process.~~

~~Until the Grantee has resolved all findings, the Grantee will not be eligible to apply for or receive any other CDBG funding. This includes CDBG grants from the Indiana Housing and Community Development Authority (IHCDA).~~

Grantees undergoing a desk monitoring must upload all requested monitoring documentation to the Monitoring page in eGMS no later than sixty (60) days after the closeout request has been submitted. If the closeout request was submitted on the project completion deadline, all requested documentation must be uploaded no later than 60 days after the project completion deadline.

Grantees undergoing an onsite monitoring the monitoring must be scheduled to take place and all requested documentation must be made available for onsite review by Grant Services no later than sixty (60) days after the closeout request was submitted. If the closeout request was submitted on the project completion deadline, the monitoring must be scheduled to take place and all requested documentation must be made available for onsite review no later than 60 days after the project completion deadline.

Any draws, including retainage, submitted before the closeout request date or project completion date must be paid out before the monitoring begins. Do NOT schedule the monitoring with Grant Services until all work is completed and all draws, including retainage, have been paid and final lien waivers have been issued.

Grantees will receive a finding for the following violations during the closeout and grant monitoring process:

- **If the Grantee is selected for a desk monitoring and fails to upload the requested monitoring documentation to eGMS within 60 days of the closeout request.**
- **If the Grantee is scheduled for an onsite monitoring and fails to pay out any pending draws, including retainage, that were submitted prior to the closeout request; and/or,**
- **If the Grantee is scheduled for either a desk monitoring or onsite monitoring and it is determined all project activities have not been completed.**

Grant Services will conduct a review of the Grantee's files and create a punch list of deficiencies, violations, and missing documentation. Certain punch list items are known as "tentative findings", that is findings which may be resolved and removed from the Final Grant Monitoring Results Letter by the submission of missing documentation and/or a satisfactory resolution response. Others may be violations or deficiencies which cannot be corrected and

would require a formal (or official) written resolution; these are considered unresolved findings.

Grant Services will issue the Preliminary Grant Monitoring Results Letter to Grantees and denote which findings, if any, are tentative findings (can be resolved and removed) or are unresolved findings (can be resolved but will not be fully removed). Grantees will have 30 days from the date of the Preliminary Grant Monitoring Results Letter to provide a response to Grant Services with all requested documentation, resolutions, and responses. When Grantees fail to provide a timely and satisfactory response for any findings listed, the findings will remain unresolved findings and noted as such in the Final Grant Monitoring Results Letter.

Grantees with unresolved findings are considered overdue on completion and become ineligible to apply for additional CDBG funding on any new projects until the findings are resolved. The Grantee may not apply for any future funding through OCRA CDBG or the Indiana Housing & Community Development Authority (“IHEDA”) CDBG until all unresolved findings have been resolved.

Step 3: Administrative Closeout

~~This step involves the verification of attained goals and objectives (e.g. job creation or housing-occupancy goals) set forth in the grant agreement. These goals/objectives will be reviewed at the monitoring visit.~~

~~When it has been determined that the Grantee has no findings or all findings have been resolved, the Grantee will be advised to submit Closeout Form 2: Financial Settlement/Expenditure Report and Closeout Form 3: Administrative Closeout.~~

~~If it is determined that the goals/objectives have not been met, the Grantee will be advised to submit Closeout Form 2: Financial Settlement/Expenditure Report. The Grantee must continue to submit the semi-annual reports (see the Reporting and Recordkeeping Chapter for more detail) until such time as the goals and objectives are met or modified by Grant Services. Once Grant Services has determined that the Grantee has met all obligations, the Grantee may proceed to administrative closeout by completing Closeout Form 3: Administrative Closeout.~~

Once the monitoring has concluded, and it has been determined that there are no findings or that all findings have been satisfactorily resolved, Grantee will be instructed to submit [Closeout Monitoring Form 2: Financial Settlement/Expenditure & Administrative Closure Report](#). This initiates the administrative closeout process.

~~When Grant Services has approved Grantee’s administrative closeout form and placed it in the administrative closeout status, the Grantee does not need to submit any more semi-annual reports. However, if the Grantee has a Subrecipient, the Grantee is responsible for the submission of the Subrecipient semi-annual reports for a period of five years after the date of Grant Services’ approval of the administrative closeout (see Section 11.8).~~

Once Grant Services approves Grantees’ administrative closeout forms and places the projects in administrative closeout status Grantees are no longer required to submit semi-annual reports. However, if Grantees have Subrecipients, Grantees are still responsible for the timely submission of the Subrecipient Semi-Annual Report for a period five (5) years after the date of the official Closeout Letter (see Section 11.8).

The official Closeout Letter will outline any additional program reports required to remain in compliance with the CDBG program. These include but are not limited to program income reports and/or job retention reports. Grantees remain responsible for the timely submission of any other program reports as stipulated in the closeout letter. Failure to provide required program reports may jeopardize the eligibility status for additional funds.

Intended use of facility must be maintained for five years after closeout.

After CDBG-funded projects are completed and closed out, the facility must maintain its intended use for five years after closeout. No changes to the use of the facility or the type of beneficiaries of real property acquired or improved with CDBG funds may be made without the advanced written approval of OCRA.

Those projects with Subrecipients will be monitored annually by OCRA staff to ensure that the use and purpose of the facility has been maintained during the five-year period.

Step 4: Audits

An audit is an official examination and verification of accounts and records. Audits are an important part of effective financial systems, as they produce useful financial reports and verify the reliability of a Grantee's financial management systems. Only an independent certified public accountant (CPA) with a current license to practice in Indiana can perform an audit.

One of the primary financial management requirements implicit in the use of federal funds is the annual audit. The Indiana State Board of Accounts performs an A-133 audit, when applicable, at the time they audit all of the Grantee's financial records. 2 CFR 200 provides requirements for audits of governmental entities and nonprofit organizations. Failure to comply with the audit requirements can jeopardize the Grantee's ability to draw grant funds and receive future grants. The type and level of audit required is based on the amount of federal funds expended by a Grantee in a given fiscal year. Federal awards include financial assistance provided by the federal government to the Grantee in the form of grants, loans, property, contracts, loan guarantees, etc. Organizations that have expended more than \$750,000 in Federal funds within a fiscal year are required to have an A-133 audit conducted. A single audit is an audit that includes both an entity's financial statements and its federal awards (from all applicable federal programs). If an organization expends less than \$750,000 a year in federal funds, it is exempt from the federal audit requirements for that year; however, financial records must be made available if requested.

Step 5: Final Closeout

The final stage of the closeout process is the issuance of a Certificate of Project Completion. This certificate is issued when OCRA has received the Single Audit from the Indiana State Board of Accounts covering all years that CDBG funds were expended by the Grantee.

For certain project types, particularly those where the Grantee has designated a Subrecipient, the Certificate of Completion will not be issued until 5 years from the date of Administrative Closeout.

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If there are no discrepancies or findings by the State Board of Accounts, the Certificate of Completion is issued, and a copy is forwarded to the Grantee. If there are findings issued by the State Board of Accounts for a CDBG grant the Grantee is responsible for resolving the issue with the State Board of Accounts. Upon resolution, the certificate will be issued.

Findings by the State Board of Accounts will prevent the Grantee from receiving further CDBG funding until all such findings are resolved. Issuance and full execution of a 'Certificate of Project Completion' signifies that the applicable CDBG grant is considered closed by OCRA with no further associated requirements for the Grantee except for compliance with the records retention requirements of the federal government and the State of Indiana. Financial records, supporting documents, statistical records and all other records pertaining to a grant will be retained for a period of three years after the State closeout of the grant year from which the grant funds were awarded. Grantees should be advised that the record retention period could exceed ten years.

EFFECTIVE DATE: January 16th, 2023