# DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
**Division of Federal Financial Assistance**
2020 W. El Camino Avenue, Suite 670, 95833
P.O. Box 952054
Sacramento, CA  94252-2054
(916) 263-2771
www.hcd.ca.gov

# CDBG Management Memo #22-05

**Date: July 19, 2022**

**To: Community Development Block Grant (CDBG) and CDBG-CV Grantees**

**Subject: Closeout Process**

## Purpose

The purpose of this memo is to document the process and requirements Grantees must follow to closeout a Community Development Block Grant (CDBG) project.

## Background  and Requirements

The U.S. Department of Housing and Urban Development's (HUD) closeout requirements for CDBG grant awards for funds administered by the Department are contained in 24 CFR Part 570. Specifically, 24 CFR 570.489(i) – Closeout of grants to units of general local government – states, "The State shall establish requirements for timely closeout of grants to units of general local government and shall take action to ensure the timely closeout of such grants."

Further, 2 CFR § 200.344(a) – Closeout – states that "The recipient must submit, no later than 120 calendar days after the end date of the period of performance, all financial, performance, and other reports as required by the terms and conditions of the Federal award. A subrecipient must submit to the pass-through entity, no later than 90 calendar days (or an earlier date as agreed upon by the pass-through entity and subrecipient) after the end date of the period of performance, all financial, performance, and other reports as required by the terms and conditions of the Federal award. The Federal awarding agency or pass-through entity may approve extensions when requested and justified by the non-Federal entity, as applicable."

Grantees should consult their Standard Agreement for other agreed-upon submission deadlines. In the case of CARES Act funding, the closeout timeframe is governed by the Memorandum on **CDBG Cares Act Funding Expenditure Milestones**, dated November 17, 2021, which amends previous standard agreements.

Grantees must submit the following required documents for Closeout, as applicable:

1. Combined Closeout Package, which includes:

   ■ Closeout Certification Form

   ■ Acquired Property Inventory

   ■ Disencumbrance Acknowledgement/Request

   ■ Completion Report Acknowledgement

   ■ Section 3 Compliance Acknowledgement

   ■ Section 3 Closeout Report (only completed, if applicable)

   ■ Sections 3 Qualitative Efforts (only completed if applicable)

   ■ Affidavit of Posting Notice (for Closeout Final Hearing)

   ■ CDBG Combined Closeout Package Signature

2. Proof of posting for Closeout Final Hearing (in addition to the Affidavit of Posting Notice): Grantees must upload supporting documentation such as such as a picture of the website posting with date stamp, a cutting from the newspaper, or a photo of the document posted in a public place.

3. Completed Closeout Completion Form

4. **For Planning Activities ONLY:** Final Product(s)

5. **For Planning Activities ONLY:** Documentation of Public Hearing to accept final product(s) This is distinct from the Closeout Final Hearing: Copies of announcements, posting, etc.

6. **For Planning Activities ONLY:** Board Resolution accepting each final product

Grantees should be aware that the closeout period begins at the end of the contract period of performance whether they have initiated closeout or not. All required documentation must be submitted through the Grants Network Portal or to the

Grantee's HCD Representative or Grant Administrator prior to the end of this closeout period.

Grantees should consult their Standard Agreement for specific information on their agreed-upon closeout period. In the case of CARES Act funding, the overriding Memorandum on **CDBG Cares Act Funding Expenditure Milestones**, dated November 17, 2021, specifies a **90-day closeout period**

## Records Retention

Per 24 CFR 570.490(d), Record retention. "Records of the State and units of general local government, including supporting documentation, shall be retained for the greater of three years from closeout of the grant to the state, or the period required by other applicable laws and regulations as described in § 570.487 and § 570.488."

This retention period will be 3 years from closeout of the CA HCD contract with the U.S. Department of Housing and Urban Development (HUD).

**This 3-year holding period has not yet begun. All Grantees closing out before the start of the hold period must maintain all award/contract related records until they have received notification from HCD.**

Depending on the date of issue, some standard agreements may reference other or additional holding periods. Grantees should abide by a holding period that is the greater of the above-cited reference or that listed in their Standard Agreement.

Grantees should refer to Chapter 10, Reporting and Record Keeping Requirements in the CDBG Grants Management Manual for more specifics on records to be retained.

## Process

The closeout process is the final phase of the CDBG project administration. After activities are completed, funds drawn down, and monitoring issues (if any) are addressed, closeout can begin.

Once all project activities are completed and all costs to be paid with grant dollars have been incurred, the Grantee may initiate closeout with HCD. The basic closeout process is outlined in Exhibit 1, below.
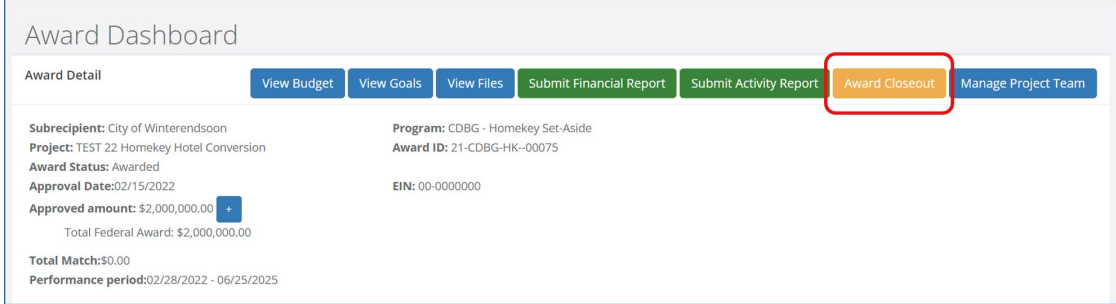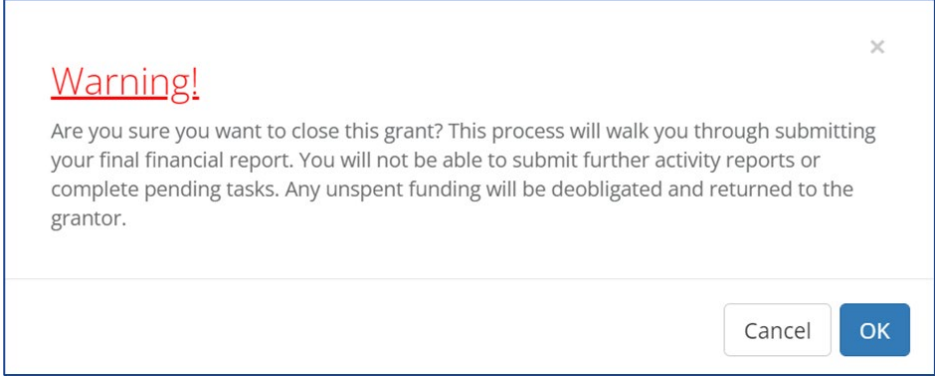
Exhibit 1. Closeout Process Overview

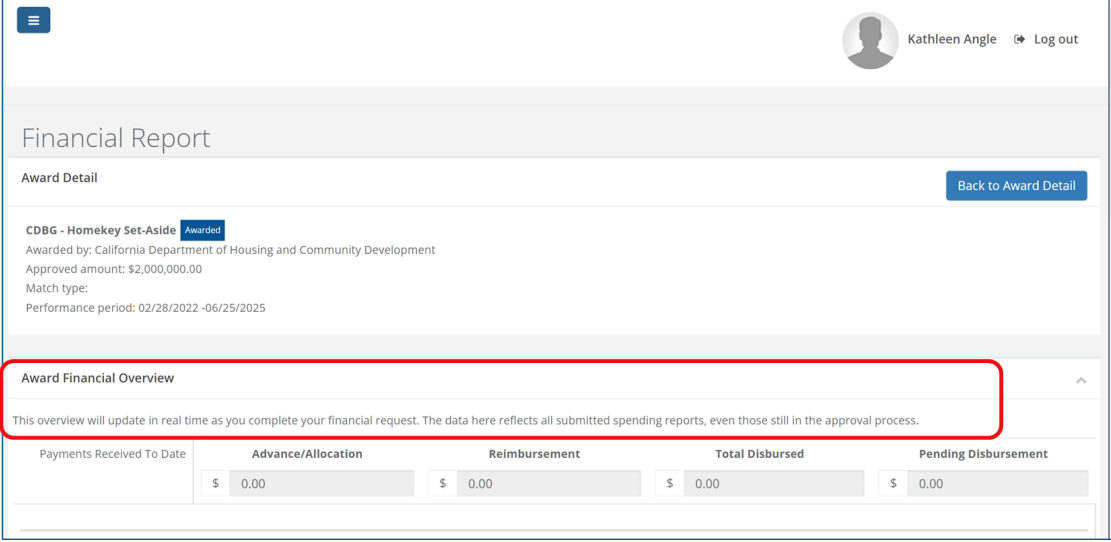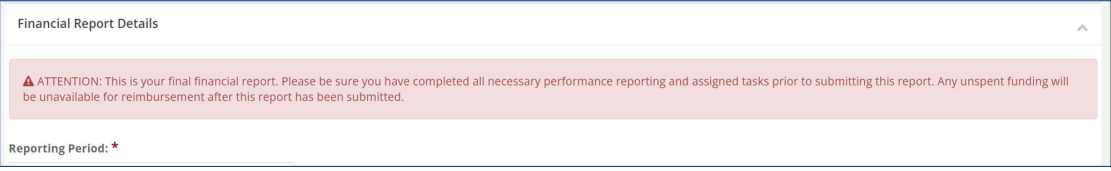| Step | Action |
|------|--------|
| 1 | When project is complete, the Grantee contacts their Grant Administrator/HCD Representative and begins preparation for closing. This includes:<br><br>■ Reviewing expenditures to determine whether there will be funds to disencumber<br><br>■ Posting and holding public hearing on final closeout<br><br>■ Finalizing all written products (for Planning Activities, not applicable to CDBG-CV)<br><br>■ Documenting final hearing to accept final products (for Planning Activities, not applicable to CDBG-CV) |
| 1a | The Grant Administrator or HCD Representative will contact the Grantee to begin closeout preparations at the end of the contract period of performance, if the Grantee has not initiated the closeout discussion. |
| 1b | If Grantee is unresponsive, the Grant Administrator or HCD Representative will prepare and send a formal Closeout Request email.<br><br>■ If Grantee remains unresponsive, the Grant Administrator or HCD Representative will send, by Certified U.S. mail, a formal Closeout Request letter. |
| 2 | Grant Administrator or HCD Representative provides Technical Assistance (TA) on closeout process and requirements. This should be an ongoing conversation throughout the closeout process. TA should include:<br><br>■ Review of the requirements outlined in this CDBG Management Memo<br><br>■ Review of the CDBG Combined Closeout Package<br><br>■ Review of the Completion Form<br><br>■ Review of additional documentation required, including any additional documentation based on activity-type requirements. |

| Step | Action |
|------|--------|
| 3 | Grantee prepares and submits their final Activity Report.<br><br>■ This must be completed **prior to** initiating closeout in the Grants Network Portal and **prior to** submission of the Final Financial Report.<br><br>■ The Activity Report should include a summary of project accomplishments in the Narrative. |
| 4 | Grantee completes **CDBG Combined Closeout Package** and **Completion Report AND** assembles required supporting documentation<br><br>■ All of this information will need to be uploaded at closeout with the final financial report.<br><br>■ This information must be completed **prior to** initiating closeout in the Grants Network portal.<br><br>■ Review of this information should be part of the Grantee's ongoing closeout discussion with their Grant Administrator or HCD Representative. |
| 5 | Grantee contacts Grant Administrator or HCD Representative when they are ready to closeout and submit their final Financial Report. |
| 6 | Grant Administrator or HCD representative reviews the status (including approval status) of any outstanding reports or requirements and informs Grantee of any required actions. |
| ★ 7 | Grant Administrator/ HCD Representative notifies Grantee that they can initiate closeout via **Miscellaneous task**.<br><br>■ **Grantees should not begin closeout in the Grants Network Portal until they have received this notification.** |
| 8 | Grantee initiates closeout in the Grants Network portal by clicking the **Award Closeout** button on the **Award Dashboard** page. |

| Step | Action |
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| **9** | A pop-up **Warning** window will appear. The Grantee should click **OK only if their GA or HCD Representative has told them they are ready to proceed**. <br><br> ■ **This is critical** because once the Grantee initiates closeout in the Grants network portal, they will only be able to submit a final financial report. They will no longer be able to submit activity reports or respond to pending tasks. <br><br>  |
| **10** | Clicking **OK** takes the Grantee to their final financial report. |

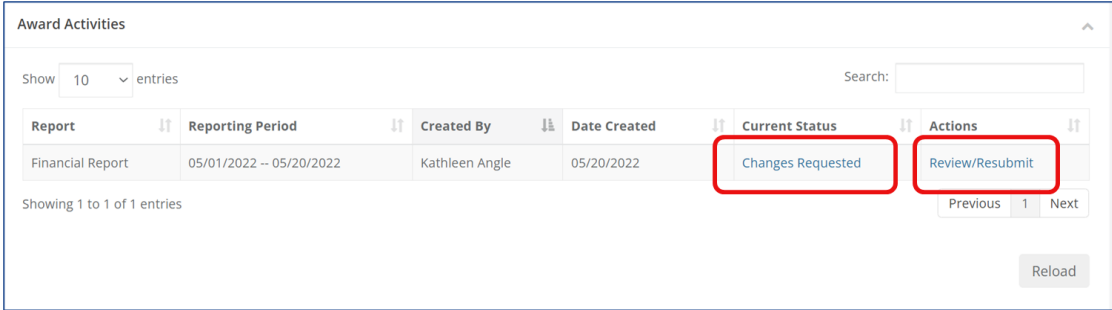| Step | Action |
|------|--------|
| | Financial Report<br><br>Award Detail        [Back to Award Detail]<br><br>**CDBG - Homekey Set-Aside** Awarded<br>Awarded by: California Department of Housing and Community Development<br>Approved amount: $2,000,000.00<br>Match type:<br>Performance period: 02/28/2022 -06/25/2025<br><br>**Award Financial Overview** ⌃<br><br>This overview will update in real time as you complete your financial request. The data here reflects all submitted spending reports, even those still in the approval process.<br><br>Payments Received To Date    Advance/Allocation    Reimbursement    Total Disbursed    Pending Disbursement<br>             $ 0.00      $ 0.00      $ 0.00      $ 0.00 |
| **11** | Scrolling down, the Grantee will see a warning under the **Financial Report Details** section explaining that they should have completed all activity and financial reporting and tasks before submitting this final financial report and that, after submission, **any unspent funds will be unavailable**.<br><br>Financial Report Details ⌃<br><br>⚠ ATTENTION: This is your final financial report. Please be sure you have completed all necessary performance reporting and assigned tasks prior to submitting this report. Any unspent funding will be unavailable for reimbursement after this report has been submitted.<br><br>Reporting Period: * |
| **12** | Grantee completes the financial report fields to submit their **Final Financial Report,** following the procedures outlined in *CDBG Management Memo #21-01, Financial Reporting.* |
| **13** | Scroll to the Financial Narrative section, and include as the first line, the phrase, "**Closeout – Final Financial Report**." |

| Step | Action |
|------|--------|
| | **Financial Report Narrative** *<br>Please develop your narrative below including key metrics, spending details, and other pertinent details.<br><br>`</> H1 H2 H3 B I U`<br><br>**Closeout – Final Financial Report**<br><br>7975 characters remaining |
| **13** | Scroll down again to the **Financial Report Files** section. Click the green **Upload** button to upload final required supporting documentation.<br><br>**Financial Report Files**<br>Please upload any files necessary For your financial report. This may include financial transactions, receipts, program income, etc…<br><br>Upload File ☁<br>Show 10 ∨ entries — Search:<br>File Name — File Size — Actions<br>No files are available for download<br>Showing 0 to 0 of 0 entries — Previous Next<br><br>Save & Close — Submit Report — Cancel<br><br>■ **Grantee should ensure that all documents requested on page 2 of this management memo are uploaded as part of this final report.**<br><br>■ Prior to uploading, the Grantee should get a listing of file naming conventions from their Grant Administrator or HCD Representative.<br><br>■ As with any Financial Report, the upload should also include the Financial Reporting Form. |
| **14** | When the Grantee has completed and reviewed the Financial Report, they should click the **Submit Report** button at the bottom of the page. If they need to leave the report before submitting, they should click **Save & Close**. |

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| Step | Action |
|------|--------|
| |  |
| 15 | A warning window pops-up. The window reinforces that this will be the final financial report and provides the Grantee the total of any remaining award funds for their contract. Grantees should click the **OK** button only if they are certain they are ready to closeout.  |
| 16 | The Grantee can now see that the status of their final Financial Report is **Pending Approval,** and **they cannot complete any further tasks or reporting**.  |

| Step | Action |
|------|--------|
| 17 | The CA HCD closeout approval process begins with review by the Grant Administrator or HCD Representative and proceeds through an internal workflow.<br><br>■ Grantees should monitor their portal during closeout approval for any required actions or notifications. |
| 18 | If the Final Financial Report is returned for changes, the Grantee will see a status of **Changes Requested** in the **Award Activities** section of their **Award Dashboard**. The Grantee should click **Changes Requested** to see comments about deficiencies. They should click **Review/Resubmit** to make changes and additions and to resubmit.<br><br> |
| 19 | Once the CA HCD approval workflow is complete, the contract is closed, and the Grantee will receive a notice in their portal confirming closeout and acceptable desk audit and reminding them of record retention requirements. |

## Effective Date

This memo is effective immediately as of July 19, 2022. This Management Memo applies to all active grants, program income, past year grants that are still open and are still drawing funds, new grant awards that have not yet been put into a Standard Agreement, and future grant awards, provided that they are managed in the eCivis Grants Management Network.

## Questions

If you have general process questions, please contact your Grant Administrator or HCD Representative. If you have specific questions about the information in this Management Memo, or any other questions regarding the CDBG Program, please contact Felicity Gasser at felicity.gasser@hcd.ca.gov or 916-820-1187.