

CDBG GRANT MANAGEMENT MANUAL

Foreword

Welcome to the Community Development Block Grant (CDBG) program for the State of California (State). This program was established by the federal Housing and Community Development Act of 1974, as amended (42 USC 5301, et seq.) (HCDA). Subsequent legislation and regulations (Omnibus Budget Reconciliation Act of 1981 - Public Law 97-34, and 24 CFR Part 570, Subpart I) allowed states to administer the program for smaller cities and counties. In 1982, California's Executive Branch and Legislature agreed that the State should administer the program and assigned this responsibility to the Department of Housing and Community Development (HCD or the Department). The CDBG program is implemented by the California Health and Safety Code, Section 50825, et seq., and the California Code of Regulations (Title 25, Section 7050, et seq.).

The primary federal objective of the CDBG program is the development of viable communities by providing decent housing and a suitable living environment and by expanding economic opportunities, principally for persons of low- and moderate-income. "Persons of low- and moderate-income" or the "targeted income group" (TIG) are defined as families, households and individuals whose incomes do not exceed 80 percent of the county median income, with adjustments for household size. County median income is sometimes referred to as Area Median Income or AMI.

Each year, the CDBG program makes funds available to eligible jurisdictions through several allocations: General and Native American, Economic Development, Planning and Technical Assistance (PTA) and Colonias. Notices of Funding Availability (NOFAs) are published for each allocation as the funds become available. Successful applicants enter into contracts with the State to complete the specified activities with the grant funds.

The Department has prepared this Grant Management Manual (GMM or Manual) to provide necessary information and forms for program grantees to successfully complete their grant-funded activities in compliance with their contract and State and federal requirements. We hope it accomplishes this goal and welcome any recommendations for future improvements and updates.

PURPOSE OF MANUAL & HOW TO USE IT

This Manual was prepared to guide CDBG grantees and other interested parties from the time of grant award to Standard Agreement (contract) closeout, and assist with the tracking and use of program income. This Manual should help readers understand the program requirements, how to obtain grant funds, how to fulfill contractual obligations and how to complete local community development projects. If you have questions on a specific topic after reading this Manual in detail, feel free to contact your State CDBG Representative to get additional direction and answers to your questions.

In this Manual, "grantee" and "you" refer to the city or county CDBG grant recipient, "Department" refers to the California Department of Housing and Community Development (HCD), and "HUD" refers to the United States Department of Housing and Urban Development. The Standard Agreement with the State is commonly referred to as the "contract." This GMM is found on the State HCD website (www.hcd.ca.gov) and is only available in the web version. Starting in 2011, each GMM Chapter will be reviewed and revised on a GMM Chapter-by-GMM Chapter basis with revisions showing when the GMM Chapter was last updated. Each GMM Chapter will have its own webpage that will be divided into sections.

Most GMM Chapters are divided into the following sections:

The GMM Chapter

Forms

Additional Resource Information

Related Management Memorandums

Web Resource Links

INTRODUCTION

PROGRAM OVERVIEW

Section 1 - Brief Overview of the CDBG Grant Process

The following is a brief overview of the CDBG grant process from award notification to contract closeout. More detail on these items is provided within the GMM Chapters of the GMM.

Grant Award Letter

When the grant selections are completed and are approved by the Department's Director, the Department mails out award letters to each grantee and its area legislators. These letters inform the grantee that it has received an award of a specified amount and will be receiving a Standard Agreement (contract) to sign.

The grantee waits for the arrival of the email with the contract attached to print, copy and sign; generally emailed within about eight weeks of the award letter. Typically, the contract takes three to six months to be fully executed. Starting in 2008, the contract term has been increased from 24 months to 30 months. It is important to begin your funded activities as soon as possible.

Traditionally, grantees were required to wait for the State contract to be fully executed before incurring costs on any grant activities. However, beginning with the funding year 2004-2005, upon receiving the award letter, grantees can submit a written request to the State asking for permission to incur costs for general administration (GA) activities prior to receiving an executed contract. This written request can also be made for awarded PTA grant activities so the proposed studies can be started well before the State contract is fully executed. The Department representative will respond in writing giving approval to the grantee to incur costs. If the grantee has included all the proper special condition documentation for their activities in the grant application or, if after being allowed to incur GA costs the grantee submits all the special condition documentation, then the grantee may also submit a written request to the State for approval to incur costs before contract execution for their specific activities in the application. This change in policy is to allow grantees to start programs or projects prior to receiving an executed contract; and, thus, spend their funds more quickly under the 30-month contract.

Standard Agreement (Contract)

The Standard Agreement is the Department's legal contract with the grantee and contains all the terms and conditions of the grant.

As soon as the grantee receives the email copy:

- ✓ Read through the contract carefully and, if possible, have the jurisdiction's attorney read it before the designated local official signs the copies. If the grantee or attorney has any questions, call the CDBG representative. The contract is a legally binding and enforceable document.
- ✓ **Print five (5) copies of the Std. 213 form (Cover page only—Do not print Exhibits for HCD).**
- ✓ Have the person authorized by the governing body's resolution sign all five copies of the contract Std. 213, and return all five copies to the Department's Business & Contract Services Branch at the address given in the cover letter sent with the contracts.
- ✓ After the signed contracts are returned to the Department, the Department will complete its review process and execute the contracts. (Note: The contract is not effective until it is signed by the Department.) The grantee will receive a complete signed copy of the contract electronically for its records. The grantee may proceed with meeting any special conditions immediately following the date the contract is executed or, if it has received permission to incur costs, it can request funds for costs incurred to date (see GMM Chapter 1).

Disbursement Process

After the contract takes effect and, if written permission is not already received from the State to incur costs, then the grantee may incur general administration costs to meet special conditions, such as environmental review and relocation requirements. As stated above, before incurring any program implementation costs or expending any CDBG funds for the program activity, the grantee must meet the contract's special conditions and obtain written clearance from the Department.

To drawdown funds for costs incurred during the contract term, submit a Funds Request form to the Department, as described in GMM Chapter 9. Note that the final Funds Request for cost reimbursement must be received by the Department within 45 days after the contract expires, or sooner. All funds must be expended and all work on all activities must be completed by the contract expiration date. Remaining funds will be disencumbered.

Recordkeeping and Reporting

The grantee must maintain organized records of its CDBG program activities and expenditures from the time of application for a CDBG grant until at least five years after the completion and resolution of all audits and any litigation, if later. Accounting and recordkeeping requirements and recommendations are detailed in GMM Chapter. A well organized recordkeeping system will facilitate the auditing and monitoring of the grantee's activities (see GMM Chapters 11 and 12). Please note that should the grantee use a sub-recipient or contractor to "operate" its project or programs, the record keeping is the responsibility of, must be maintained by, the grantee.

Throughout the term of the contract, the grantee must submit Financial and Accomplishment Reports (FAR) twice per year for periods ending December 31 and June 30. Program Income Reports must be submitted four times per year for the quarters ending March 31, June 30, September 30 and December 31. Grantees must also submit annual reports such as the Grantee Performance Reports (GPR) and the Section 3 Report for the year ending June 30. (PTA grants do not need a GPR.) Other reports are required for particular grant activities or requirements such as economic development, labor standards, and lump sum draw-downs (see GMM Chapter 10).

Monitoring

The Department may monitor the grant for program and/or financial compliance sometime during or after the term of the contract. To be prepared, maintain clearly organized records. See GMM Chapter 7 and Chapter 12 for information regarding what the Department will review.

Closeout Procedure

When the contract expires, the grantee must provide any final products (such as studies or reports completed under a planning grant), a final FAR, the final GPR (except for PTA grants), a Closeout Certification Letter and any final Funds Request for reimbursement. Any unused grant funds the grantee has received must be returned to the Department (see GMM Chapter 13). When the Department determines that all contract terms have been met and any monitoring findings have been resolved, the Department will send a closeout letter.

Post-Grant Activity

After the grant is closed out, the grantee may have some activity to track and report if the grantee has made loans or otherwise generated Program Income (revenue from this or other closed grants) (see GMM Chapter 14).

Section 2 - Typical Calendar of Events During a 30-month Grant

The following is a timeline of typical events during a 30-month General/Native American, Colonias or Economic Development grant. Planning and Technical Assistance grants are generally for shorter periods, so the timeline would be condensed.

<u>Grant Month</u>	<u>Responsible Party</u>	<u>Activity(ies)</u>
<u>0</u>	Department	Award letter is sent out and, upon written request, State staff may allow grantees to incur costs for general administration and, where allowable, incur cost for specific programs or projects.
<u>0</u>	Department	Contract takes effect on date stamped by State in lower right hand corner of contract cover sheet.

<u>1 - 3</u>	Grantee	Complete and submit Funds Request document to be reimbursed for costs incurred to date or, if no costs incurred, then begin incurring costs to clear special conditions (e.g., environmental review, site control or other funding commitments). Grantee to submit all documentation to clear all special conditions within 90 days of effective date of contract.
	Grantee	Establish grant administrative file system and set-up accounting and recordkeeping systems for the grant.
	Grantee	Submit first Funds Request for initial general administration costs. Submit first Program Income report.
<u>4th Month</u>	Department	Clear special conditions by reviewing and approving submitted documentation and review and approve submitted Funds Requests. (Funds Requests are submitted on an as-needed basis.)
	Grantee	Begin work on program activities.
<u>Each Quarter</u>		
	Grantee	Program Income Reports for ending 3/31, 6/30, 9/30, and 12/31; submit to Department by 4/30, 7/31, 10/31, and 1/31 respectively.
<u>Each 6 Months</u>		
	Grantee	Prepare and submit FAR for periods ending 12/31 and 6/30. Also submit labor standards, economic development, and/or lump sum drawdown reports for periods ending 3/31 and 9/30.
<u>Each July</u>	Grantee	Conduct public hearing regarding grant activities on all open grants and Program Income prior to submitting annual GPR due by 7/31. <u>Grantee may also want to include a public hearing on prospective CDBG activities for the next State funding cycle and on use of Program Income.</u>
		Prepare and submit annual GPR(s), Program Income, Section 3, and Minority-Owned/Women-Owned Businesses Reports due by 7/31.
		NOTE: GPR's are not required for P/TA grants.
<u>Within 1 Year of End of Fiscal Year</u>		
	Grantee	Submit annual audit to State Controller's Office (SCO).

12 – 24th Month

Department Monitor local program for compliance with contract and State and federal requirements, including financial management.

24th Month Grantee Clear any monitoring findings and address concerns.

30th Month Grantee All work completed.

31st Month Grantee Submit closeout documents, final Funds Request for reimbursement, and acknowledge disencumbrance of any unused funds.

32nd Month Department Send conditional closeout letter to grantee.

For due dates and full requirements of specific program reports, see the appropriate Chapters of this Manual.