

## **F. MONITORING AND CLOSEOUT**

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## **H. MONITORING AND CLOSEOUT**

### **Task F-1: Monitoring of LCDBG Programs by the State**

The LCDBG staff may schedule a monitoring visit with the grantee at any time to review the program performance on site. A visit may be a comprehensive program evaluation or it may be oriented toward assessing performance in specific areas. In either case, you should cooperate with the State staff and provide them with all records and files pertaining to the program, as well as any other information requested. Before the LCDBG staff leaves your community, they will sit down with you to discuss their findings in an exit conference. It is desirable for the chief elected official to be present for this conference. The LCDBG staff, to the extent possible, will work with you on-site to correct any problems. Any problems that cannot be corrected will be discussed in the monitoring letter.

Following the monitoring visit, the State will send you a letter which identifies both the positive and negative findings of the monitoring review. **Exhibit F-1** provides an example of a monitoring letter. Since this letter becomes a part of your record at the State, it is to your advantage to minimize the number and scope of negative findings.

The State generally allows the grantee 30 to 45 days to respond to the findings of deficiency noted in the letter. You must describe all corrective actions taken or provide new information not reviewed during the visit. An example of a response to the State's monitoring letter is given in **Exhibit F-2**. The corrective actions should generally follow the recommendations made by the LCDBG staff. State staff will then inform you if your response is sufficient to permit them to clear the findings. All findings from monitoring visits must be cleared prior to closeout.

**Exhibit F-3** contains the monitoring checklists that the LCDBG staff utilizes when monitoring LCDBG programs on-site. These checklists were current at the time this handbook was prepared; however, they are revised continuously to reflect changes in State and Federal regulations.

### **Task F-2: Preparing the Program Completion Report**

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

All grantees are required to submit a Program Completion Report when all activities are complete. The forms which comprise this report are shown in **Exhibit F-4**. The instructions for the completion of each form in this report are also provided.

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

- ~ Identify activities on the forms exactly as they are identified in the contract or as were established by any program amendments.
- ~ Provide current data on obligated and expended amounts by activity. In most instances, the amount obligated will be the same as the amounts expended.
- ~ On all tables, make sure that the rows and columns of figures subtotal accurately.
- ~ Identify methods used to determine beneficiaries. For new water and sewer systems, the beneficiaries will be determined by the persons actually connected to the new system.
- ~ Submit two copies of the report to the Division of Administration/Office of Community Development.
- ~ Submit three copies of the Certificate of Completion all of which have original signatures.

As part of the Completion Report, the grantee must prepare three Certificate of Completion forms, all of which have original signatures. This form summarizes all costs incurred by the program which was paid for with LCDBG funds and program income. If grant funds received exceed grant costs, you will be notified by the State to send a check for the amount of excess grant funds received. The State will also ascertain the amount of grant funds utilized for administrative costs; any funds in excess of those allowed by the State will also have to be returned.

The State will also require a clear lien certificate and copies of any change orders issued to the construction contract prior to closing-out the program.

Upon receipt and approval of your Certificate of Completion and a check for excess grant payments, when applicable, the State will make any necessary adjustments to your LCDBG account. The State will also monitor funds earmarked for the payment of unpaid costs and unsettled third party claims. If unsettled third party claims were included, upon resolution of these claims, you must submit a revised Certificate of Completion for State review before the project can receive a final closeout.

When the State considers the closeout documents to be complete and in order, you will be notified in writing of such.

In most instances, a grantee will receive conditional closeout prior to receiving a final closeout. Conditional closeout is given when all audit/monitoring findings have been cleared, the Program Completion Report has been accepted, the final disposition of funds is accepted by the State, a clear lien certificate has been issued, all change orders have been reviewed and, when applicable, a Final Wage Compliance Report has been accepted. Generally, a conditional closeout is given prior to a final closeout because all financial reports covering the expenditure of the total LCDBG funds have not been received. In such instances, upon receipt and acceptance of the final audit, final closeout is given by the State. Prompt closeout is desirable since the State views it as an indicator of local capacity. Delays in program closeout may be indicators of poor

performance and can influence the State's review of subsequent applications.

**For different reasons, some grants are terminated after LCDBG funds have been requested, received, and expended prior to the completion of the project. In such instances, the local governing body must prepare a Certificate of Completion and submit it to the Office of Community Development as part of the closeout process. A Certificate of Completion is not necessary when no LCDBG funds have been expended.**

### **Task F-3: Audit and Financial Review Findings**

Under the provisions of the Single Audit Act of 1996 (OMB Circular A-133), a single audit is required whenever the amount of federal financial assistance (LCDBG program funds plus all other federal financial assistance, both direct and indirect) expended in a fiscal year equals or exceeds \$300,000. (Beginning with the Fiscal Year Ending December 31, 2003 the threshold rose to \$500,000.) For further guidance see **Task A-6: Audit Process**. One of the purposes of audits is to perform a compliance review of the recipient of federal funds with federal and state program requirements. When an auditor finds an area of noncompliance with program requirements he is required to make a supplemental report of findings and/or questioned costs. Grant recipients should insure that their responses are included in the audit report. The Office of Community Development reviews all audit reports to insure audit findings are addressed. Examples of audit findings and questioned costs are found in **Exhibit F-5**. A sample response is found in **Exhibit F-6**.

### **Task F-4: Understanding Corrective and Remedial Actions**

The Office of Community Development has established the following policy for addressing improper or inadequate performance by recipients of LCDBG funds. This policy is commonly known as the “Sanction Policy.”

#### **Introduction**

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

#### **Types of Deficiencies**

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

1. Failure to clear monitoring findings within 120 days of the issuance date by the Office of Community Development. An on-site monitoring visit (for the purpose of assuring the grant recipient's compliance with the federal and state requirements governing the LCDBG Program) may be conducted as a matter of routine monitoring or whenever problems come to the attention of the Office of Community Development. Following the monitoring visit, a letter is written to the grant recipient that identifies findings of deficiency as well as findings of merit, the corrective action required to clear findings of deficiency, and a target date for the accomplishment of the corrective actions. Upon receipt and review of the grant recipient's response, the Office of Community Development determines whether or not the response is sufficient to resolve the findings. If any monitoring findings are not properly resolved by the initial target date, the grant recipient is advised of such and is assigned a second target date for the clearance of those findings. All monitoring findings not resolved by the second target date remain open until resolved.
2. Failure to file reports as required or failure to file reports within established timeframes. Such reports include but are not limited to the Minority Business Report, financial reports, and closeout documents.
3. Failure to resolve an audit finding within 120 days of the issuance date by the Office of Community Development.
4. Incurring costs for ineligible activities in accordance with state and federal regulations.
5. Lack of continuing capacity to administer the LCDBG program.
6. Failure to execute approved activities in accordance with the implementation schedule included between the State and the grant recipient.
7. The implementation of a program change without prior written approval from the Office of Community Development.

### **Notice of Deficiency**

The first step in the corrective procedure is for the Office of Community Development to send a written Notice of Deficiency to the grant recipient. The notice will describe the deficiency specifically and objectively, describe actions the grant recipient must take in order to remedy the deficiency and a deadline for doing so, and describe the consequences for failure to remedy the deficiency (i.e. administrative sanctions or legal action).

### **Sanctions**

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

1. Required administrative change: For example, if the consultant administering the program is doing a poor job but the grant recipient has the continuing capacity to administer the grant, the grant recipient may be required to discharge the consultant and engage someone else to administer the program.

2. Suspension of grant payments.
3. Reduction of grant amount.
4. Termination of grant.
5. Reimbursement of costs disallowed by the Office of Community Development.
6. Disqualification from consideration for other LCDBG funds. The criteria for disqualification shall be consistent with, but not limited to, the State's threshold requirements for funding.
7. Legal action pursued by the State.

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

### **Appeals**

The grant recipient may appeal any imposed sanctions through the following process. The grant recipient must submit a written request for an appeal within ten working days after the written notice of sanction has been received. A written decision shall be rendered within ten working days of receipt of the request for appeal unless additional time is agreed to by the recipient.

### **Duration of Imposed Sanction**

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

The sanction will remain in effect until the deficiency has been corrected or for no more than ten LCDBG program years with the following exception. Sanctions involving LCDBG funds which were expended for ineligible activities as identified in the federal regulations (24CFR 570.207) cannot be excused unless those funds have been repaid to the State or a satisfactory arrangement for the repayment of those funds have been made and payments are current. The grant recipient will be advised in writing when the sanction has been lifted.

### **Internal Procedures for Issuing/Clearing Sanctions**

1. If a Local Government Rep (LGR) feels that he/she should issue a sanction, he/she should set up a meeting which includes his/her Program Manager, the Policy and Programs Coordinator, and the Community Development Director. The purpose of this meeting will be to determine if a sanction should be issued. If a determination is made to issue a sanction, the penalty/time frame attached to that sanction will also be determined. Every effort will be made to insure consistency among the sanctions imposed.
2. The LGR will advise the grant recipient in writing of the sanction. That letter will identify the deficiency which has resulted in the sanction, the steps that can be taken to correct the deficiency, the penalty which will be imposed, and any timeframe associated with the

sanction. If the grant recipient will be prohibited from receiving LCDBG funds for a specified time period, the timeframe must be clearly and specifically identified. A copy of this letter will be given to the Policy and Programs Coordinator.

3. The Policy and Programs Coordinator will be responsible for maintaining the Sanction List which tracks those sanctions having an effect on a potential applicant's eligibility for future funding. The information contained in the letter issuing the sanction will be summarized on this list.
4. When the grant recipient corrects the deficiency or the timeframe associated with the sanction period ends, the LGR will advise the grant recipient of such in writing. A copy of that letter will be given to the Policy and Programs Coordinator who will remove the grant recipient from the Sanction List, if applicable.
5. The permanent working files for the grant associated with the sanction must remain in the Office of Community Development as long as the sanction is in effect; these files cannot be archived until the sanction has been lifted.
6. The final determination of the issuance and clearance of each sanction rests with the Director of the Office of Community Development.