

Chapter 13: Project Closeout

Introduction

As KCDBG grant funds are fully spent and the project is completed, the grantee must begin the process of closing out a project. This chapter provides information to recipients on the project closeout process and requirements. The chapter details the steps to complete each task involved in closeout and provides the forms necessary to do so.

Section 13-A. Overview of the Closeout Process

Upon completion of KCDBG-funded activities, in accordance with program guidelines, the grantee enters project closeout, the final phase in the grant management process. In this phase, the grantee holds a public hearing and submits a final report to verify that KCDBG funds have been properly spent and that the grantee has complied with all applicable rules and requirements during the implementation of its program.

The CDBG closeout process consists of several key steps, including:

- ✓ Conducting a public hearing to inform citizens that the KCDBG grant is complete and will be closed out;
- ✓ Completing and obtaining approval of the Project Completion Report (PCR) and backup documentation; and
- ✓ If applicable, submittal of an audit and resolution of any audit findings.

It is important to note, however, that the closeout process cannot be fully completed until certain other conditions have also been met. These conditions include:

- ✓ A CDBG national objective must have been met;
- ✓ There must be no outstanding compliance review findings on the project;
- ✓ Any real property acquired has been disposed of according to the CDBG requirements and 2 CFR Chapter I and II, Parts 200, 215, 220, 225 and 230; and
- ✓ All required audits have been approved (refer to Chapter 3: Financial Management and Program Income).

2 CFR 200.311 (c) and 200.307(d)

Chapter 3: Financial Management
and Program Income

Economic development projects must also have met the necessary job creation/retention and investment requirements. Refer to Chapter 11: Economic Development for more information on job creation/retention and investment requirements.

Chapter 11: Economic
Development

Section 13-B. Public Hearing

The grantee must hold a second public hearing prior to project closeout, in accordance with the CDBG citizen participation requirements. (The first public hearing is held before submission of the grant application.)

The purpose of the hearing is to advise citizens of the progress made during the grant and pending closeout of the project. The hearing must be advertised in accordance with state law, which requires notification seven to 21 days prior to the date of the hearing in the newspaper of largest circulation in the jurisdiction. The advertisement must notify the citizens that the grant is nearing closeout and invite them to submit comments. A sample closeout public hearing advertisement is provided as Attachment 13-1 to this chapter.

Attachment 13-1:
Sample Closeout Public Hearing
Advertisement

In addition, steps must be taken to:

- ✓ Ensure participation from low- and moderate-income (LMI) persons,
- ✓ Provide handicapped accessibility, and
- ✓ Accommodate non-English speaking people.

The grantee must indicate that all comments from citizens were considered or, if applicable, cite reasons for rejection of comments. The grantee must also file comments and responses in the citizen participation and closeout files (see Chapter 1).

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Section 13-C. Project Completion Report

All grantees are required to submit a Project Completion Report (PCR) (see Attachment 13-2). This submission signifies that all grant activities are complete, beneficiaries have been served, other funds have been invested and, if applicable, jobs have been created or retained. It also includes information on the applicability and status of audits.

Attachment 13-2:
Project Completion Report

Completing the PCR

Grantees should use the format and instructions provided in this chapter and attachments in completing the PCR. The form is available under Administrative Forms at https://kydlgweb.ky.gov/FederalGrants/CDBG_cities.cfm.

The PCR includes nine parts:

- ✓ **Certification:** This section serves as a cover sheet with space for the grantee to certify compliance with the grant agreement, and for DLG to certify approval of the PCR.
- ✓ **Financial Summary:** Information on each activity, accomplishments, budget, expenditures, unpaid obligations and national objectives must be included in this part of the form. This form also requires information about other funds invested in the project.
 - The investment of other funds must be documented in project files in order to demonstrate that all financial elements of the project have been accomplished.
 - Documentation may take the form of loan agreements, construction contracts, invoices, payrolls, cancelled checks, etc.
 - For economic development projects, a certification from the company's treasurer and president may suffice for the documentation.

- The grantee’s accounting system should clearly show the infusion of these funds into the project.
- ✓ **Project Benefit Profile by Person:** This section of the PCR requires information on the beneficiaries of projects by specific demographic and income categories.
- ✓ **Project Benefit Profile by Household:** This part of the PCR is for housing projects only and requires information on beneficiaries of housing projects by specific demographic and income categories. Note that beneficiaries in this case are reported at the household level rather than at the individual level.
- ✓ **Job Creation/Retention:** This matrix requires grantees to report the projection versus actual number of jobs created both overall and for LMI persons specifically. There is also space for the grantee to describe any factors that impacted the actual number of jobs created or retained.
- ✓ **Audit Information:** The audit portion of the PCR requires the grantee to supply information on the amount of CDBG expenditures by fiscal year as well as the total amount of federal awards in each fiscal year and whether an audit is required and has been submitted to the appropriate parties. Refer to Chapter 3: Financial Management for more information on audits.
- ✓ **Unpaid Costs and Unsettled Third Party Claims:** This part of the PCR requires the grantee to list and explain any unpaid obligations and unsettled third-party claims resulting from the CDBG project.
- ✓ **Housing Unit Address Information:** This portion of the PCR requires that grantees that received KCDBG funds for housing activities provide the addresses of all housing units assisted.
- ✓ **Public Facilities Activities:** This portion of the PCR requires that grantees that received KCDBG funds for public facilities activities to provide a detailed project description including linear feet, pump stations, along with various documents including:
- ✓ **Section 3 Compliance** - This portion of the PCR requires that grantees provide the Section 3 compliance information for projects triggering the Section 3 requirements. Reporting will include the total labor hours for the project, Section 3 labor hours, and Targeted Section 3 labor hours. The grantee will be required to certify that they have followed the prioritization of outreach effort and report qualitative efforts made to comply with the Section 3 requirements.

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In addition to the PCR form itself, there are several additional documents that must be submitted with the PCR as part of the closeout process:

- ✓ Evidence of the public hearing including a tear sheet of the notice, copy of the minutes and a copy of the sign-in sheet/list of attendees;
- ✓ Copy of written comments received on the performance of the grantee as well as the grantee’s assessment of the comment and a description of any action taken or to be taken in response to the comment;
- ✓ For all projects that have generated or will generate program income, a current Program Income/Miscellaneous Revenue Report. (Refer to Chapter 3 for more information on program income and this report.)

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- ✓ For housing projects that have eliminated LMI housing stock, an updated One-For-One Replacement Summary Grantee Performance Report form (also known as the HUD 4949.4). (Refer also to Chapter 8: Relocation, Displacement and One-for-One Replacement.)

Chapter 8: Relocation,
Displacement,
and One-for-One Replacement

- ✓ For public facilities additional documents are required in order to closeout public facilities project such as Initiation of Operations, Engineer's Certification of Completion, Contractor's Release of Liens, and Owner's letter of Acceptance.

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Section 13-D. Notice of Completion and Closeout Letter

After reviewing and approving the Project Completion Report, DLG will send the grantee a letter stating that the PCR has been approved. If all other requirements have been fulfilled and the project is ready to be closed, DLG will also issue a Notice of Completion or Closeout Letter to the grantee. Note that a project cannot be closed out if there are any required audits outstanding or unresolved audit findings pertaining to the use of CDBG funds (refer to Chapter 3).

Section 13-E. Record Retention

Once the project has received final closeout, the grantee is required to retain all records pertaining to the project for a minimum of five years from the closeout of the project. Refer to Chapter 1: Project Administration as well as the other chapters of this handbook and the applicable regulations for more information on the records that must be maintained.

Chapter 1: Project Administration

Section 13-F. Change of Use Restrictions

The CDBG regulations contain provisions regarding changing the use of real property within the grantee's control that was acquired or improved, in whole or in part, with \$150,000 or more of KCDBG funds. These provisions require that the property be maintained for the original eligible use and continue to meet a national objective for at least five years after grant closeout.

24 CFR 570.489(j)

If the project involved acquisition or improvement of real property using \$150,000 or more in KCDBG funds:

- ✓ A grantee may not change the use or planned use of any such property from that for which the acquisition or improvement was made, unless DLG and grantee provide affected citizens with reasonable notice of and opportunity to comment on any proposed change; and
- ✓ The new use of the property must qualify as meeting one of the national objectives and is not a building for the general conduct of government. However, if DLG and the grantee determine, after consultation with affected citizens, that is appropriate to change the use of the property to a use that

does not qualify as meeting a national objective, it may retain or dispose of the property for the changed use if DLG is reimbursed in the amount of the current fair market value of the property, less any portion of the value attributable to expenditures of non-CDBG funds for acquisition of, and improvements to, the property. Following the reimbursement of the CDBG program, the property no longer is subject to any CDBG requirements.