

Chapter 12: Amendments and Monitoring

Introduction

This chapter provides information to KCDBG grantees on amendments to project activities and/or budgets. It will define what is considered an amendment and the process for amending a project. This chapter also discusses the technical assistance and monitoring aspects of the program.

Section 12-A. Project/Budget Amendments

When an Amendment is Required

A project/budget amendment is defined as a:

24 CFR 570.486(a)(6)

- ✓ Change in the approved budget for a project; and/or
- ✓ Change in the purpose, scope, location or beneficiaries of an activity from what was in the grant application and approved by the state.

Grantees are advised to contact their DLG representative if problems emerge which might lead to project modifications, or if any change is contemplated. Early notification of potential problems will permit DLG to work with the grantee to try to resolve them and to determine which additional CDBG requirements may be triggered should a project amendment be necessary.

Procedures for Project/Budget Amendments

Any change to the scope or budget for an approved activity is considered an amendment and requires DLG approval prior to taking effect. A Request for Project/Budget Amendment Form must be completed, signed by the mayor/county judge/executive and submitted to DLG. Additional CDBG and related requirements may also apply depending upon the magnitude of the amendment. (Please refer to the table later in this section for more information.) Note that DLG will allow for changes necessary for project completion but does not expect the changes to alter the project completion date.

Attachment 12-1: Request for Project/ Budget Amendment Form

Because grants were selected for funding based on a proposed project, the amendment will be reviewed carefully by DLG, and the grantee will be notified of approval or disapproval. A grantee should never proceed with requested change(s) until it receives written approval from DLG.

Substantial Amendments and Compliance with Additional Requirements

Upon receipt of the Project/Budget Amendment Form, DLG will determine if the proposed change is considered substantial under the CDBG regulations. The determination as to whether an amendment is considered substantial is critical as it will dictate whether additional CDBG requirements are triggered by the amendment. Substantial amendments are changes to a project of such a size or magnitude that warrant notification to the public and a review of compliance with other requirements such as

42 U.S.C. 5304(a)(2)(E) and 24 CFR 570.486(a)(6)

environmental review. Examples include a public facility project that was intended to be located in one area of the community but is now proposed to be located on a different site in the community, or a project that was intended to provide jobs that is now proposed to benefit a limited clientele.

DLG will notify the grantee once a determination has been made. If the change is considered substantial, several additional actions must be taken prior to the grantee proceeding with the new activity.

Title 1 of the Housing and Community Development Act requires that significant modifications of the proposed activities meet certain citizen participation requirements. Specifically, citizens must be provided reasonable advance notice of and the opportunity to comment on substantial changes to a CDBG-funded project. This means that grantees must hold a public hearing to inform the public of the proposed change. The hearing must be advertised in a newspaper at least seven days prior to the hearing. Evidence of the advertisement (tear sheet) and attendees to the hearing must be provided to DLG along with the Request for Project/Budget Amendment Form.

One of the first action items is to hold a public hearing

Additional requirements may also apply to substantial amendments pertaining to the items listed below. Refer to the table on the next page for more information.

- ✓ Environmental review;
- ✓ Clearinghouse endorsement; and
- ✓ National objective documentation.

Tip: Contact DLG as early as possible if you think a substantial amendment may be required. DLG can help grantees identify all the additional required actions so they can be completed in a timely manner and not delay the project.

Project/Budget Amendment Checklist

| Item | Action/Requirement |
|-------------------------|--|
| Change in Scope | Activity Amendment. |
| Beneficiary Update | Complete Benefit Profile form. |
| Clearinghouse Assurance | If the amendment is considered substantial, changes will have to be submitted to the Clearinghouse for an updated endorsement. |
| Public Hearing | If the amendment is considered substantial, a public hearing is required. Grantee must advertise the hearing at least 7 days in advance. |
| National Objectives | All changes must be eligible activities and qualify under a National Objective. |
| Environmental Review | If the amendment is considered substantial, environmental clearance needs to be updated. |
| Budget Amendment | Approved before submitting draw request. |
| Change in Scope | Activity Amendment. |

When Projects Cost Less than Planned

As a project nears completion and it becomes apparent that the final project costs will be less than anticipated and budgeted, the grantee must contact DLG regarding the next steps. Grantees should not proceed with additional activities without DLG review and approval.

Section 12-B. Monitoring/Technical Assistance

Overview

It is the goal of DLG to assist and support recipients in complying with applicable state and Federal requirements and in implementing their project activities in a timely manner. Monitoring is the primary mechanism to ensure that this occurs. As such, it is important that DLG staff and grantees have a clear and common understanding of the monitoring process and procedures. This section provides information on the scope and frequency of monitoring, and roles of the monitoring staff, and the key steps involved in the monitoring process.

42 U.S.C. 5304(e)(2) and
24 CFR 570.492

Title I outlines the review responsibilities of the state. DLG is required by Title I of the Housing and Community Development Act of 1974, as amended, and 24 CFR Part 570.492 of the State CDBG Regulations to monitor its KCDBG grantees. The review responsibility requires that the state ensure three key areas are in compliance:

- ✓ Approved activities are carried out in a timely manner;
- ✓ Activities and certifications are conducted in accordance with the requirements and the primary objectives of Title I and with other applicable laws; and
- ✓ Grantees show a continuing capacity to carry out approved activities in a timely manner.

The Monitoring Process

The monitoring review may be a comprehensive evaluation of all aspects of the program or project for all aspects of compliance or it may be oriented toward assessing compliance in a specific area or areas. The reviews may be conducted at DLG's offices or on-site. The depth and location of the monitoring will depend upon which compliance areas need to be reviewed. Note, however, that a full scope monitoring of all compliance areas should be conducted at least once for each funded activity. Exhibit 1 illustrates the process in a flow chart.

Monitoring also provides an opportunity for grantees and/or grants administrators to seek technical assistance in areas of concern or confusion.

Scheduling the Visit

A visit is scheduled in advance. The Chief Executive Officer (CEO) of the grantee, as well as the grant administrator, is notified of the date, time, location and purpose of the review visit in writing.

Entrance Meeting/Interview

Once on-site, the first thing that occurs is an entrance meeting/interview. DLG staff will conduct an entrance meeting/interview to state the purpose of the review and outline which files and

documentation will be needed during the review. Grantees should be prepared to provide an overview of the project as well as its status and any issues prior to the beginning of the reviews. The DLG staff will also ask about particular concerns or needs regarding the project so that technical assistance can be scheduled, if appropriate.

Monitoring of Files and Other Documentation

Utilizing appropriate checklists, the DLG staff will review the files to determine if all requirements have been met. The primary areas being examined are consistency with the specific terms of the grant agreement and compliance with state and Federal requirements.

Record keeping is the most important component of monitoring.

- ✓ Grantee files pertaining to the CDBG project must be orderly and complete.
- ✓ In addition, if files are maintained by or located in another office such as an engineer or clerk, these files should be obtained and available for review.

If there are areas that are discovered during the review that indicate noncompliance with the laws, regulations or other requirements, this may result in a finding. A finding of non-compliance must be remedied. A finding can result in a sanction if corrective action is not taken in a specified manner and/or timeframe. For each finding, DLG must indicate a corrective action, either to correct a past problem or to avoid a future problem, which must be taken by the grantee. A deficiency in program performance not based on a statutory or regulatory or other program requirement is a concern. Corrective actions are not required for concerns, but DLG may recommend actions to address concerns.

Findings with corrective actions must be outlined in the Monitoring Review Letter. Concerns may also be included. Monitoring letters are discussed further below.

Tip: Most of the previous chapters include a brief section on monitoring and record keeping as it relates to each topic. Refer to those sections for details on what to expect from monitoring and which files to have on hand for the review.

Exit Meeting/Interview

At the conclusion of the review, DLG staff will conduct an exit interview with the grantee, including local officials and the grants administrator, providing a tentative summary of the results of the review. If there appear to be problems, including any findings or concerns, the grantee has an opportunity to provide more information or clarification.

The DLG reviewer should also indicate the timeframe in which a monitoring letter will be sent, the process for requiring the grantee to address any findings and the consequences for not addressing compliance issues in a timely manner.

Finally, the DLG reviewer should provide any further technical assistance that is requested or needed or, if there is not sufficient time, make arrangements for such technical assistance to be provided at a later date.

Review Letter and Follow-Up Actions

The grantee will receive a formal review letter giving the results of the review within 30 days of the conclusion of the monitoring review. The letter will:

- ✓ Summarize the area(s) reviewed and performance expectations,

- ✓ Provide a summary and an analysis of what was discovered during the review, and
- ✓ List all findings and recommended corrective actions to resolve the findings and the timeframe in which the corrective actions must be carried out.

The review letter may also include one or more recommendations. These are matters that, if not properly addressed, can become a finding and can ultimately result in sanctions. Recommendations are often used to point out operational or management problems, or patterns of performance that could lead to larger problems later, even if they are not evident at the time of the review. Recommendations may require some form of response on the part of the grantee.

The grantee must respond in writing within 30 days to any findings and recommendations listed in the compliance review letter.

- ✓ The grantee will describe all corrective actions taken or provide new information not reviewed during the visit. The corrective actions must be consistent with the recommendations made by DLG in the monitoring letter.
- ✓ The grantee's Chief Executive Officer must certify that all regulations will be observed in future transactions and provide written assurance that no adverse effects occurred to the project for failure to observe said regulations.

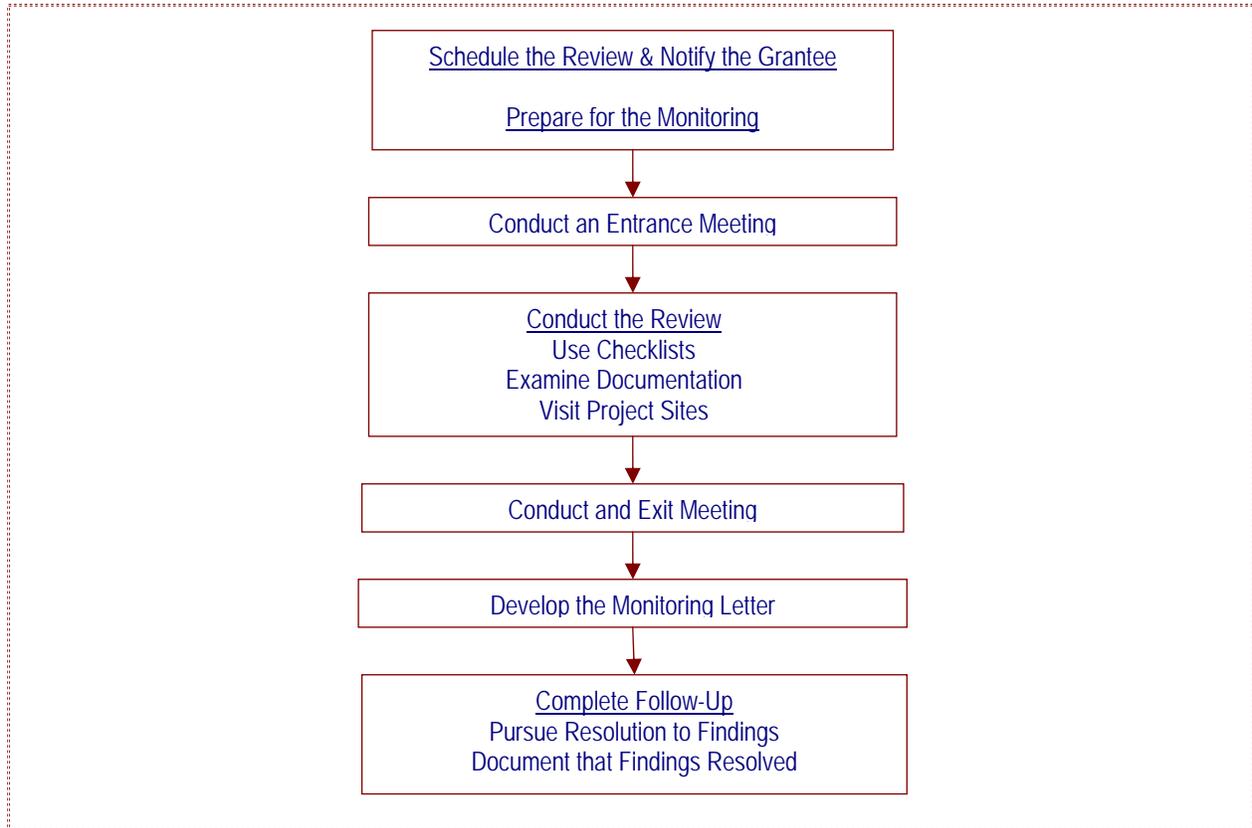
If issues are not resolved, DLG may, as outlined in the CDBG regulations, impose a progressive level of sanctions that include:

- ✓ Additional reporting,
- ✓ Suspension of funding,
- ✓ Additional special conditions,
- ✓ Return of disallowed expenditures,
- ✓ Termination of the grant, and/or
- ✓ Legal action.

DLG will inform the grantee if the response is sufficient to clear the findings. DLG will provide any assistance necessary during the review or after any findings or concerns are made to ensure that the project is completed according to the grant agreement and all state and Federal rules and regulations. No project will be closed if there are outstanding findings. (Refer to Chapter 13: Closeout for more information.)

Chapter 13: Closeout

Exhibit 1: KY CDBG Monitoring Process Flow Chart



**Attachment 12-1:
Request for Project/Budget Amendment Form**

**Kentucky Community Development Block Grant
Request for Activity Amendment**

Grantee: _____
Grant Number: _____

Amendment Number _____
Date _____

| Activity Number | Activity Category | Original/Current Activity | Amended Activity |
|-----------------|-------------------|---------------------------|------------------|
| | | | |

Reason(s) for Proposed Changes

GRANTEE

Signature: _____
Title: _____
Date: _____

APPROVAL (State Use Only)

Signature: _____
Title: _____
Date: _____