

## SECTION IX. PROJECT CLOSE-OUT

### OVERVIEW

This section describes the steps required to close-out a State CDBG project. It focuses on six areas:

- Step 1:** Meeting the requirements for the State's disbursement of its retainage
- Step 2:** Providing 60-day notice of the anticipated project completion date
- Step 3:** Conducting at least one post-award public hearing (**Exhibit IX-A**) – Notice must be published at least 5 days prior to public hearing.
- Step 4:** Submission and acceptance of the Project Completion Report (PCR) (**Exhibit IX-B**) and Section 3 report (**Exhibit V-E**) if applicable
- Step 5:** Submission of the final Financial Status Report (FSR) **Exhibit III-F for Public Facilities and Economic Development projects, Exhibit III-J for Housing projects.**
- Step 6:** Submission of the final audit report and resolution of any audit findings

While these six steps are common to all CDBG projects, **THE ORDER OF THE STEPS MAY BE SOMEWHAT DIFFERENT THAN LISTED ABOVE.** For example, if CDBG funds are being reserved to pay a portion of the final audit costs, the final Financial Status Report will necessarily be submitted after the audit report. Similarly, if any costs are disallowed as a result of the audit, a revised final Financial Status Report will need to be submitted. Also, in some cases, two or more of these steps may be undertaken concurrently.

The ease with which the grantee can complete all of the above requirements depends largely on the extent to which the grantee has maintained accurate and up-to-date records and files as outlined in the previous sections. All of the information needed to complete the above should exist within the program files and require little, if any, additional information gathering.

#### **STEP 1: MEETING THE REQUIREMENTS FOR THE STATE'S DISBURSEMENT OF ITS RETAINAGE**

The method by which the State will make contract payments to CDBG grantees is described in the grant contract. The payment method specified in the main body of the contract includes a provision that "the State will withhold the final five (5) percent of the total contract amount UNTIL THE CONTRACTOR (THAT IS, GRANTEE) HAS SUBMITTED AND THE DEPARTMENT HAS ACCEPTED ALL REQUIRED QUARTERLY FINANCIAL STATUS REPORT AND PERFORMANCE REPORT INFORMATION. If a different retainage requirement has been established for a project, it will be specified in the contract Scope of Services.

#### **STEP 2: PROVIDING 60-DAY NOTICE OF THE ANTICIPATED PROJECT COMPLETION DATE**

The state requires that "comprehensive" on-site monitoring be completed on each grantee's project prior to acceptance of the grantee's Project Completion Report (PCR). Each grantee is advised, therefore, to notify the state contact person for its project approximately **60 days prior** to the date it anticipates submitting its PCR. (Minimum requirements related to the timing of submission of the PCR are discussed in Step 4.) This will provide the state the opportunity to conduct any remaining required monitoring and to follow up on and resolve any findings or other issues so that the PCR, when received, can be processed without delay.

### STEP 3: POST AWARD HEARING

At least one public hearing must be conducted to allow citizens to review and comment on the grantee's performance in carrying out the project. A suggested format for the "notice of public hearing" is contained in **EXHIBIT IX-A**. The hearing can be held any time during or after the project has been completed. **The project completion report will not be accepted until this hearing has been held.**

### STEP 4: SUBMISSION AND ACCEPTANCE OF THE PROJECT COMPLETION REPORT (PCR)

No later than 30 days after completion of its project, a grantee is required to prepare and submit a Project Completion Report (PCR). A project is considered "**COMPLETED**" when **ALL** of the following have occurred:

- ❖ **ALL PROJECT ACTIVITIES HAVE BEEN COMPLETED**, except required administrative activities. (This means that all project construction/rehabilitation work must also be completed.);
- ❖ **THE RESULTS/OBJECTIVES SPECIFIED IN THE GRANT CONTRACT HAVE BEEN ACHIEVED** (e.g., low and moderate income benefit to be achieved, number of lineal feet of water lines to be replaced, amount of funds to be leveraged, etc.); **and**
- ❖ **ALL COSTS TO BE PAID WITH CDBG FUNDS HAVE BEEN INCURRED** with the exception of any administrative costs related to close-out (including audit costs) and any unsettled third party claims.
- ❖ **SECTION 3 REPORT HAS BEEN COMPLETED**. This report should accompany the PCR and is required of all projects that had total project costs in excess of \$200,000 and received more than \$100,000 in federal funds.

The state will review the grantee's PCR for completeness and to confirm that the above requirements have been met.

If the PCR is found to be acceptable, a letter will then be sent to the grantee indicating the Department's formal acceptance of the PCR and specifying the date the project is considered completed. The required format for the PCR is contained in **EXHIBIT IX-B**.

### STEP 5: SUBMISSION OF THE FINAL FINANCIAL STATUS REPORT

Immediately following expenditure of **ALL** CDBG funds necessary for completion of its project, each grantee is required to submit to the state a **final Financial Status Report** on the project. This report is to be made on the form used for quarterly financial reporting and must be identified as the final report. A copy of the form is contained in **EXHIBIT III-D**. The project will not be closed-out until this report is received.

### STEP 6: SUBMISSION OF THE FINAL AUDIT REPORT AND RESOLUTION OF ANY AUDIT FINDINGS

Requirements and procedures for audit of project activities are contained in **Section II, Financial Management, page 11**.

### STATE CDBG MONITORING

The checklist that will be used by state staff for monitoring compliance with close-out requirements is contained in **SECTION X**.