Chapter 1

Project/Grant Administration

STATE OF MISSOURI POLICY STATEMENT

IN EFFECT FOR ANNUAL GRANTS:

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POLICY CHANGES OR UPDATES TABLE

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<td>0</td>
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<td>Creation and approval of Policy</td>
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<td>1</td>
<td>8</td>
<td>Modified definition of elderly person to be age 60 and older to align with the Aging American Act in Section 1.3.2.1</td>
<td>7/15/2022</td>
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<td>2</td>
<td>18</td>
<td>Added clarification for Grant Administrator responsibilities in Section 1.5.1</td>
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CDBG Administration / Policy Manual Applicability

The entire CDBG Administration / Policy Manual is applicable for projects awarded on or after April 1, 2022. Exception for procurement of Grant Administration, Engineers, and Architects, the manual is applicable if the application public hearing is held after June 23, 2022. When the Subrecipient cannot provide documentation that they started procurement of Grant Administration, Engineers, and Architects before June 23, 2022, the current manual is applicable.

1.1. INTRODUCTION

The success of a Community Development Block Grant (CDBG) project depends upon careful management and administration.

This involves planning and scheduling, knowledge and responsibility of a variety of management functions, effective oversight of program activities and attention to detail.

The project should be managed to maintain progress and assure compliance. The CDBG policies and regulations are proper, sound business practices for the completion of any public project. The knowledge and understanding of these policies and regulations will allow for a process that will work hand in hand with achieving the desired project goals.

This manual is designed to assist CDBG recipients with project activities and compliance. It contains the regulation, policy or rule, and a number of forms and samples to assist with managing the grant and understanding the process.

The initial project/grant management responsibilities are:

1. Standard procedure
2. Compliance of National Objectives
3. Selection of an administrator
4. Duties that are key to the program
5. Recordkeeping
6. Internal monitoring

7. File structure

Careful attention to these matters will help get the project started properly.

Other important sections in this chapter:

- Sample Administration File Structure
- Property Management
1.2. STANDARD PROCEDURES

A variety of procedures exist that must be fulfilled for your CDBG project/grant to be successful. We want to ensure an effective and efficient use of public dollars. The requirements should not be viewed as a hindrance. Rather, they are tools for the community to protect their own and the public’s interests as investors in the project. Each area of responsibility is discussed in greater detail in later sections of this handbook.

Briefly, those responsibilities include:

1. **General Program/Grant Management:**
   - Recordkeeping (saving documents, filing, keeping receipts, etc.)
   - Financial Management (tracking all of the project dollars)
   - Citizen Participation (including your citizens in the project)
   - Procurement (how to purchase materials and select contractor)
   - Contract and Property Management (who to contract with and what the document should say)
   - Close-Out and Audit Requirements (how to finalize your project)

2. **Environmental Requirements** – The process that examines what effect your project activities will have on the environment.

3. **Labor Standards** – Payment of state prevailing wage and Federal Davis Bacon wages to all contractor employees.

4. **Civil Rights** – Ensuring equal opportunity under the law.

5. **Acquisition and Relocation** – Protecting landowner and homeowner rights.

Knowledge of these responsibilities allows the community to start initial planning of the administrative structure and processes to make certain that these responsibilities are fulfilled. Decisions must be made about how the program will be administered and who will be responsible for various tasks that must be carried out along the way to program completion.

**REGARDLESS OF THE ADMINISTRATIVE METHOD USED, THE SUBRECIPIENT HAS THE RESPONSIBILITY OF SEEING THAT THE GRANT IS CARRIED OUT PROPERLY AND RETAINS LIABILITY FOR THE GRANT.**
1.3. NATIONAL OBJECTIVES

Every CDBG-funded project must meet one of the three national objectives of the program to be eligible for funding:

- A minimum of 51% of low-and-moderate income (LMI) beneficiaries;
- Elimination of slums and blight; or
- Urgent need.

This part provides an overview of national objectives in different project categories and a detailed description of each objective.

1.3.1 Typical National Objectives Used in Each Project Category

Community Facilities

51% LMI proven either through area-wide benefit, by survey or census, target area benefit by survey (the target area must be defined and defensible in terms of the use of the facility in order to use this option), or limited clientele. This latter option is reserved for facilities that address a specific group of beneficiaries that may be drawn from throughout the community or area. Please discuss the specific option chosen with the CDBG staff prior to the initiation of the application.

Workforce Training Initiative

51% LMI proven either through area-wide benefit, by survey or census, target area benefit by survey (the target area must be defined and defensible in terms of the use of the facility in order to use this option), or limited clientele. The limited clientele option is reserved for facilities that address a specific group of beneficiaries that may be drawn from throughout the community area.

Demolition

Elimination of slum and blight is the only allowable national objective for demolition-only projects.

General Infrastructure

The national objective will be specific to the project but may include 51% LMI (area wide or target area: census, survey, or limited clientele) or elimination of slums and blight, or a combination of the two.

Downtown Revitalization

51% LMI area benefit by census or survey; or, designated slum and blight. See the definition of slum and blight earlier in the guidelines. Here, the public improvements must be in a general state of deterioration.
Water and Wastewater

51% LMI only (emergency projects funded under the National Objective of “threat to health and safety” must use another application form supplied by CDBG.)

Economic Development

Minimum 51% LMI Job Creation. At least 51% of the new jobs created must be occupied by applicants previously qualifying as low-and-moderate income persons (those individuals with household incomes at or below 80% of median household income.)

1.3.2 National Objectives: A Description and LMI Survey Guidance

1.3.2.1 LMI – Low-to Moderate-Income

To be counted as a beneficiary of a project, LMI documentation must be obtained. There are four sub-categories for an activity to be qualified for 51% LMI: (i) activities based on area benefit, (ii) activities serving a limited clientele, (iii) activities involving housing, and (iv) activities involving job creation. Elaboration on each category can be found below.

For every separate activity funded under the same project, there must be 51% LMI or the removal of slum and blight achieved.

To determine eligibility, all persons and families must be counted. To determine the amount of CDBG funding, all households must be counted. It is important to note that, except for LMI Housing with which the objective test must be met based on low-and-moderate income households, all the other subcategories of 51% LMI national objective must be tested based on low-and-moderate income persons.

A project may not be designed to benefit moderate-income persons to the exclusion of low-income persons.

HUD’s CDBG program income guidelines (as modified by the Housing and Community Development Act of 1987) shall be used to define low-and-moderate income for the CDBG Program. The annual income limits are available by request from CDBG. If HUD has not published the applicable year’s limits, then the community may use the previous year to begin the survey work (more details in LMI Area Benefit through Survey part). (New limits are usually available in March.)

“Income” should be viewed as a family’s total adjusted gross income. Any person that belongs to an LMI family is considered an LMI person. Request a copy of the direct beneficiaries’ IRS Form 1040 or other equivalent income statements.

To calculate the LMI percentage, divide the number of LMI persons by the total number of persons benefiting; and divide the number of LMI families by the total number of
families benefiting. Both calculations must equal or exceed 51%. You may not round up to achieve 51%. The HUD census data is only available in the number of LMI persons. Therefore, to arrive at the correct number of LMI families, divide the number of persons by 2.47, which is the state average household size.

If the activities proposed in an application only benefit a portion of the community, then a target-area benefit would be relevant. Most often, surveys are required to gain eligibility here. Census data by tract or block group may be used if the beneficiaries exactly match the tracts or block groups (and the entire block group data must be used). Contact CDBG at (573) 751-3600 to request assistance with census information.

If an application has one activity that benefits the entire community (such as water or wastewater treatment) and another activity that benefits only a section of the community (such as water distribution or wastewater collection), the treatment activity must represent the majority of the project costs to use an area benefit with census data.

Census and survey information may not be mixed to achieve eligibility. In a project that benefits an entire area and additional persons outside the census limits, census data may be used for the residents of the community (if it exceeds 51%) and a survey may be conducted for those outside the census limits. The survey must also achieve 51% LMI independently in order to qualify the project.

A map must accompany the application, showing the project area and beneficiaries.

LMI Area Benefit

It is the activity that will often indicate who benefits. The availability of exact census data will determine whether a census or survey may be used. In the CDBG program, an applicant determines the project to be either: an area-wide benefit, or a target-area benefit. Secondly, the applicant indicates the method of LMI eligibility: census, survey, job-creation, or limited clientele.

HUD’s CDBG program income guidelines (as modified by the Housing and Community Development Act of 1987) shall be used to define low-and-moderate income for the CDBG Program. The annual income limits are available by request from CDBG. If HUD has not published the applicable year’s limits, then the community may use the previous year to begin the survey work (new limits are usually available in March). More details in LMI Area Benefit through Survey part.

To demonstrate compliance, the subrecipient must keep records on the service area boundary and the percentage of low-and-moderate income persons and households.

Census Data

1) If the activity benefits an entire city, county, township, or enumeration district, the latest Decennial Census census data must be used to gather income data for LMI benefit determination. Please note that the census data provided by HUD sometimes differs from the U.S. Census Bureau in terms of income and the
total number of persons and families in a given area. DED may only accept the HUD data as valid.

2) If the existing census data do not sufficiently reflect the current income levels in the project area, surveys will be used to obtain such information.

**Surveys**

1) Surveys are used to apply accurate information to an area that is not covered by census information, or to provide updated information to an area that has changed in the number of persons and their income level during the decade for which the census is valid. There is a methodology applied to surveys intended to support CDBG eligibility and there is a time limit in which those surveys may be valid.

2) If you choose to survey for eligibility, there are three categories of income to report: 80% of the county’s median income; 50% of the county’s median income; and, 30% of the county’s median income. Eligible persons and families are all those below 80% of median income. The terminology may differ for the three categories but the percentages are the same. You may see moderate/low/very low; low/very low/extremely low; or low/very low/30% of median. It is important to distinguish the categories for the reporting purposes and not to eliminate any from the survey instrument sample.

3) A completed survey will be valid for 4 years.

4) There are two options for surveys: 100% solicitation or random.

5) For the first option, applicants must solicit 100% of the proposed beneficiaries. The survey response percentage is 80%. (This is only allowed when the project area contains 200 or fewer families). For larger surveys, applicants are required to perform a random survey.

6) A random survey requires only a smaller sample, but it is CDBG that will randomly choose the specific residents to be surveyed. The survey response rate is 80% of the residents surveyed. A random survey is required if the service area contains more than 200 families. **Contact CDBG staff for a random number table if a random survey is required.** If the service area of the project consists of 200 or fewer families, a random survey is **not** an option. The occupants of apartments must be included in the population to be surveyed. Individual apartments are treated just like individual households. Seasonal homes, which are not a person’s full-time residence, are not considered occupied households.

7) Regardless of survey options, there are three acceptable procedures: door to door, where the survey is conducted at the residence by a trained interviewer. Techniques of not introducing bias into the survey should be used including question wording; probing to obtain clarification, and recording responses accurately. Modified door-to-door includes hand delivery of the survey but the task of completion is left to the resident. The deliverer may either wait or make
arrangements to pick the survey up at a later date. Or, the survey may be made via mail.

8) Data from the survey must be extrapolated to reflect 100% of the population served by the project.

9) Telephone surveys are acceptable.

10) The survey instrument and tabulation sheet are made available to the applicant by CDBG. Please contact CDBG staff prior to any modifications of the document. CAUTION: A survey not properly implemented will result in either point deductions or ineligibility due to not meeting a national objective.

11) When demonstrating beneficiaries, please refer to HUD’s Notice CPD-19-02 and contact State CDBG staff for additional guidance on:
   - the latest low-and moderate-income summary data (2011 – 2015) for area benefit demonstration,
   - geographic datasets and their application for compliance purposes,
   - margin of error data for all geographies in the summary data (census places and block groups)
   - suggested use of additional geographic data (poverty rate, race, ethnicity, and disability)
   - additional instruction on reporting low-and-moderate area benefit.

LMI Limited Clientele

Limited Clientele persons (or groups of persons) are presumed to be principally LMI, according to HUD. These include: abused children, battered spouses, elderly persons (age 60 and over), adults meeting the Bureau of the Census’ definition of severely disabled, homeless persons, illiterate adults, persons living with AIDS, and migrant farmworkers. The disability data used for limited clientele are “persons with a mobility or self-care limitation.” This data is broken into persons aged 16 to 64 and 65 and older. The data for both age groups must be added together in total. Do not use the data for “persons with a work disability.”

In addition, the project may meet the LMI national objective through limited clientele under two scenarios. First, the project activities are limited exclusively to LMI persons (such as a food pantry with income restrictions either equal to or less than the LMI income limits for that county). Or second, through family size and income information, at least 51% of the clientele are persons of LMI status.

Limited Clientele projects are those that exclusively serve a group defined as limited clientele. If this criterion is met, then no further LMI documentation, either by census or
by survey, is necessary. If the project is not exclusive or designed for only that group or groups, then LMI eligibility must be proven by another method.

Regarding documentation to be maintained for compliance purposes, please contact CDBG staff for more details on the five options of records.

**LMI Housing**

LMI Housing subcategory applies when CDBG-assisted activities result in housing that will be occupied by low-and-moderate income households upon completion. The housing can be either owner- or rented-occupied, and the structures can be either one-family or multi-unit.

The LMI benefit for this purpose is based on households, not on persons.

Under this 51% LMI subcategory of housing, the subrecipient has the option of real property buyouts.

Buyout programs that assist low- and moderate-income persons can be structured in one of the following ways:

(a) The buyout program combines the acquisition of properties with another direct benefit—Low- and Moderate-Income housing activity, such as down payment assistance—that results in occupancy and otherwise meets the applicable low-and-moderate housing national objective criteria;

(b) The program meets the low- and moderate-income area benefit criteria, provided that the subrecipient can document that the properties acquired through buyouts will be used in a way that benefits all of the residents in a particular area where at least 51 percent of the residents are low- and moderate-income persons. When using the area benefit approach, subrecipients must define the service area based on the end use of the buyout properties; or

(c) The program meets the criteria for the low- and moderate-income limited clientele national objective if it restricts buyout program eligibility to exclusively low- and moderate-income persons, and the buyout provides an actual benefit to the low- and moderate-income sellers by providing pre-disaster valuation uniformly to those who participate in the program.

(d) The program meets the criteria for the Low/Moderate Buyout (LMB) or Low/Moderate Housing Incentive (LMHI) national objectives for buyouts and the use of housing incentives as authorized by HUD.

Regarding documentation to be maintained, please contact CDBG staff for a list of records on legal agreement, housing sizes, and LMI beneficiaries’ demographic information.
In CDBG Disaster Recovery (CDBG-DR), for a buyout award or housing incentive to meet the new LMB and LMHI national objectives, subrecipients must demonstrate the following:

(1) The CDBG–DR funds have been provided for an eligible activity that benefits LMI households supporting their move from high risk areas. The following activities shall qualify under this criterion, and must also meet the eligibility criteria of the notices governing the use of the CDBG–DR funds:

(a) Low/Mod Buyout (LMB). When CDBG–DR funds are used for a buyout award to acquire housing owned by a qualifying LMI household, where the award amount (including optional relocation assistance) is greater than the post-disaster (current) fair market value of that property.

(b) Low/Mod Housing Incentive (LMHI). When CDBG–DR funds are used for a housing incentive award, tied to the voluntary buyout or other voluntary acquisition of housing owned by a qualifying LMI household, for which the housing incentive is for the purpose of moving outside of the affected floodplain or to a lower-risk area; or when the housing incentive is for the purpose of providing or improving residential structures that, upon completion, will be occupied by an LMI household.

(2) Activities that meet the above criteria will be considered to benefit low and moderate-income persons unless there is substantial evidence to the contrary. Any activities that meet the newly established national objective criteria described above will count towards the calculation of a CDBG–DR subrecipient’s overall LMI benefit.

**LMI Jobs Creation**

Meeting eligibility through job creation requires 51% of all jobs created by the project to be offered to and held by LMI persons. The total number of jobs created is directly related to the amount of CDBG assistance requested and is computed on a per-job basis. Within the scope of this application, job creation is generally only relevant to Microenterprise.

**Employee Survey:** An Employment Status Statement (see section Forms for Administrative Manual) is to be used to determine LMI status. The Business must survey each person hired. In addition, the Business is required to provide the ethnicity characteristics of all job applicants. The Business may utilize the Employment Status Statement as a method of collecting this data. The employee must sign the surveys, and the employee must be willing to verify his or her family income upon request of DED, HUD, or the Applicant. The survey is voluntary and confidential; however, all surveys not completed will be assumed to be from non-LMI persons. The Business is responsible to administer the surveys and provide the completed surveys to the Subrecipient and DED.

Regarding documentation to be maintained for compliance purposes, please contact CDBG staff for a detailed list of records with respect to the various aspects of this
subcategory. Please refer to the Economic Development chapter for additional guidance.

1.3.2.2 Elimination of Slum and Blight

To maintain this national objective for Demolition, the subrecipient must document the evidence following one of the two subcategories on a spot basis or an area basis.

1) **The elimination of slum and blight on a spot basis** applies when a structure is blighted through the exhibition of objectively determinable signs of deterioration which suffices to constitute a threat to health, safety, and public welfare.

Subrecipient must, at a minimum, record blighted structures by applying existing local unsafe building or nuisance ordinance, building code level of violation, applicable occupancy, habitability designation, or code violation in a manner consistent with their ordinance. Additionally, to prove the infeasibility of rehabilitation, the subrecipient must show the cost to rehabilitate the house to DED HQS health and safety standards.

The ordinance, code violation, or designation must be applied to the specific structure, not to the area as a whole. The predominance of blight in an area does not allow blight to be assumed for each structure inside the area.

2) **The elimination of slum and blight on an area basis** applies where the area meets the definition of a slum, blighted, deteriorated, or deteriorating zone under the local law or state law (Missouri Statute Chapter 353(2)), following 24 CFR 570.

HUD’s elimination of slums and blight national objective qualifies for the area meeting the conditions of either (a) or (b):

a) at least 25% of the properties in the area experience one or more of the following conditions:

- physical deterioration of buildings or improvements,
- abandonment of properties
- chronic high occupancy turnover rates or chronic high vacancy rates in commercial or industrial buildings,
- significant declines in property values or abnormally low property values relative to other areas in the community, or
- known or suspected environmental contamination.

b) the public improvements throughout the area are in a general state of deterioration.
Documentation must be maintained by the grant recipient on the boundaries of the area and the conditions that qualified the area at the time of its designation. The subrecipient’s definitions of the conditions must be clarified and maintained in records to substantiate how the area met the slum or blight criteria.

To qualify under this HUD national objective for **Downtown Revitalization** on an area basis, an activity must meet all the following criteria:

- The area must be officially designated by the applicant and must meet a definition of a slum. Blighted, deteriorated, or deteriorating area under State or local law. (For these purposes, it is necessary to formally designate/declare the area to be blighted but the area must meet the definitions for designation.)

- The area must exhibit signs of economic disinvestment or the public improvement throughout the area must be in a general state of deterioration.

- Activities to be assisted with CDBG funds must be limited to those that address one or more of the conditions that contributed to the deterioration of the area. Note that this does not limit the activities to those that address the blight or decay itself, but it allows an activity to qualify if it can be shown to address a condition that is deemed to have contributed to the decline of the area.

Records must contain a pre-rehabilitation inspection report describing the deficiencies of the structure, as well as documents on CDBG-assisted rehabilitation activity, besides the area’s geographic information and definitions of conditions. Contact CDBG staff for a detailed requirement of record maintenance.

### 1.3.2.3 Urgent Need

Covid-19, floods, or earthquakes are a few notable examples of a sudden catastrophe in which there are significant threats to community welfare, the community’s resources have been exhausted, and funding from other Federal programs is not enough to cover the costs. Under such circumstances are when communities can apply for CDBG grants, justifying under Urgent Need - the third national objective.

**Criteria:**

A condition will generally be considered as recent origin if it advanced or became critical within 18 months before the subrecipient’s certification.

To be qualified for Urgent Need, the proposed activity must tackle the existing conditions which the subrecipient certifies:

- To pose a serious and immediate threat to the health and welfare of the community;
- To be of recent origin or recently became urgent;
- The subrecipient’s existing financing capability is not sufficient; and
• Other funding resources are not available to implement the activity.

A record of the urgent need should include:

• A descriptive narration of the condition showing the nature and degree of seriousness of the threat it posed;
• Certifying evidence from the subrecipient showing the CDBG activity was proposed to address the urgent need;
• Information on the timing of the development of the serious condition; and
• Evidence confirming the lack of other necessary financial resources to alleviate the need.

If a local government entity within an urban county wants to use CDBG funds for an urgent need, besides the entity itself, the county must also be the unit to document its inability to finance the activity out of its resources.

**Specific to HUD Disaster Allocations DR-4317 and DR-4451**

The CDBG certification requirements for documentation of Urgent Need, located at 24 CFR 570.483(d), are waived for these two referenced grants and replaced with the following alternative requirement.

In the context of disaster recovery, the standard urgent need certification requirements may impede recovery. Since the Department only provides CDBG–DR awards to subrecipients with documented disaster-related impacts and each subrecipient is limited to spending funds only for the benefit of areas that received a Presidential disaster declaration, the following streamlined alternative requirement recognizes the urgency in addressing serious threats to community welfare following a major disaster.

A subrecipient need not issue formal certification statements to qualify an activity as meeting the urgent need national objective. Instead, it must document how each funded program and/or activity responds to a disaster-related impact.

For each activity that meets an urgent need national objective, the subrecipient must reference in its action plan needs assessment the type, scale, and location of the disaster-related impacts that each program and/or activity is addressing over the course of the applicable deadline for the expenditure of obligated grant funds. Subrecipients are advised to use the low- and moderate income activities that qualify under the criteria for that national objective. At least 70% of the entire CDBG–DR grant must be used for activities that benefit low- and moderate-income persons.
1.4. SELECTING AN ADMINISTRATOR

There are three basic approaches that the community can take to the management of the CDBG grant.

1. The community may manage the grant itself, using available staff.
2. The community may hire new staff specifically for purposes of managing the grant.
3. The community may contract with a third party (e.g., a regional planning commission or a private consultant) to manage the grant.

Each approach has advantages and disadvantages, and the choice should be made on the basis of careful consideration of the circumstances in the community and the nature of the funded project.

1.4.1 Using Current Staff

This approach has certain advantages. Individuals involved with the project will be familiar with existing administrative routines, and they will know where to go to obtain needed support and information. They will be familiar with the community’s goals, particularly if they were involved in planning for the project; thus, they can ensure project implementation in a way that is consistent with those goals. In addition, the use of existing staff eliminates the need to hire and train new staff. It avoids any problems the community might face in working with a third party.

This approach should probably be taken if the community has available staff with sufficient time to undertake the added responsibilities. Staff will either need to work on an overtime, extra-compensation basis, or they will have to defer other activities. Competent staff should be able to manage the program well, if they engage in sufficient administrative planning. Previous work with Federal grants provides important experience, since a variety of Federal laws and regulations apply to project activities.

Regular city staff whose time is committed to the grant project cannot be paid from the grant funds unless they receive overtime pay, their salaries are increased to reflect additional duties associated with the CDBG program, or their job descriptions are temporarily changed to defer or reassign duties. Grant funds are paid to the general fund and the extra pay is dispersed through the regular employee-pay method. Only the addition to their salary can be paid from grant funds, and this must be approved by DED before such salary costs are incurred. All hours worked on the program must be documented with timesheets for each employee involved, and payment must coincide with hours worked. Suggested employee roles for local administration are included herein.
1.4.2 Hiring New Staff

If current staff does not have sufficient time to administer the project, consideration should be given to hiring additional staff to provide necessary support. The advantage of this approach is that the person or persons hired for this purpose will be on hand on a daily basis and will be able to work closely with local officials in administering the grant. A problem is that it may be difficult to find qualified individuals for temporary, perhaps part-time positions. Again, all employees paid from CDBG funds must document time spent on the grant with timesheets, as payment must be for CDBG work only.

1.4.3 Contracting Out

A third approach is to contract with a regional planning commission or private consultant to provide the necessary support. Many such organizations already have experience with CDBG and similar programs. They can bring considerable expertise to bear and relieve local officials of much of the burden of administering the grant. Engineering firms may qualify to administer a grant. However, an engineering firm cannot perform both administration and engineering on the same grant.

Someone on city staff should be familiar with project requirements so that the work of an outside administrator can be monitored properly, **as the subrecipient remains responsible for proper administration.** An administrator is simply another contractor of the community.

No subrecipient will be penalized if it does not have the capacity to properly administer the grant from existing staff members; rather, they should propose that an outside firm will be contracted or new staff will be hired, as appropriate, to administer the grant. Every grant must be administered by a competent person who will properly oversee the requirements set forth by Federal law and state regulations; therefore, the subrecipient must be assured of competent administration when deciding this issue.

The program administration structure should be guided by the scope and difficulty of the approved CDBG program, prior grant experience, proper internal control, and financial management requirements. For example, a small-scale public facilities project with a single construction contract need not have an elaborate management structure. On the other hand, a housing rehabilitation program or economic development project may involve several contractors, bank negotiations, escrow accounts, the purchase of land and easements and the management of a revolving loan fund.

If the community decides to retain an outside organization to administer the project and proposes to use grant monies as all or part of administration payment, it must use the competitive proposal process (see the Procurement Chapter) to ensure that it receives the best help for the best price. It should use a well-developed contract to govern the relationship between itself and the administrator, specifying carefully the
work elements to be completed and the time schedule for completion of the work elements. The community may wish to retain some administrative responsibilities. All such arrangements should be carefully spelled out in any contract.

The Procurement Chapter describes the required method of procurement that solicits all known grant administrators and the area RPC.

Contracts for administrative services cannot be on a pro-rated basis as the method of payment (a set amount per month for a pre-determined number of months) if CDBG money is used to pay for administration. As with any contract, payments should be based on a monthly cost reimbursement or a percentage payment after milestones in the grant.

REGARDLESS OF WHAT METHOD IS CHOSEN FOR GRANT ADMINISTRATION, GRANT FILES MUST BE RETAINED AT THE SUBRECIPIENT’S OFFICE OF BUSINESS.

Financial Management is the responsibility of the subrecipient, and cannot be contracted out to a grant administrator.

Responsible Local Individual:

One person should be assigned as the point of contact for communication between:

- Subrecipient and state
- Subrecipient and administrator
- Subrecipient and contractors
- Subrecipient and engineer
1.5. **SUGGESTED ROLES FOR GRANT ADMINISTRATION**

1.5.1 **Responsibilities of the Grant Administrator**

There are a variety of approaches that are applicable to administering the project. However, the responsibility of a community or an individual overseeing the grant can be summarized into two aspects: community development and financial management. Additionally, the subrecipient may administer the CDBG fund on behalf of a local organization or frequently works with contractors toward delivering a wide range of community development activities. This part details the responsibilities of a Grant Administrator and clarifies the terminology differences among recipients, sub-recipients, and contractors.

**In Community Development**

The Grant Administrator shall have overall project responsibility and shall be the focal point for the resolution of any problems that may develop in the course of project implementation. Specifically, this individual or community shall have the following responsibilities:

- oversee recipient and contractor compliance with statutory/program requirements
- contact point with DED
- recommend approval of third-party contracts
- recommend approval for purchase orders
- recommend and/or approve invoices/contractor payment
- oversee field review of project activities
- oversee project progress
- oversee CDBG budget/project amendments
- maintain project files
- complete DED reports on project performance
- monitor third-party contracts
- submit final close-out report(s)
- oversee annual audit requirements
In Financial Management

The Grant Administrator is also responsible for maintaining official CDBG financial records. This individual or community group will be responsible for the following:

- Maintenance and control of accounting documents approved by the Subrecipient for processing by DED
- Preparation of financial reports based on accounting records
- Preparation of grant requisitions (Request For Funds Form) subject to review by a CDBG Compliance Specialist
- Entry of these and other accounting transactions into the accounting system
- Maintenance of financial process files (working files)

When the community contracts a third party for the administration service, the responsibilities of the community lean toward managing financial issues and exercising its official capacity through authorizing financial requests and executing legal documents, while staying updated with the Grant Administrator throughout the project procurement process and phases.

In managing CDBG finance, there must be an appropriate division of responsibility regarding the request and receipt of CDBG monies. Proper internal control should be exercised to prevent opportunities for mismanagement, waste, and fraud.

1.5.2 Definition of Recipient, Subrecipient, and Contractor

**Recipient:** The Missouri Department of Economic Development, which is the entity receiving CDBG funding from the U.S. Department of Housing and Development.

**Subrecipient:** The units of local government (counties or cities) and local organizations.

The cities and counties receive HUD’s CDBG funding and execute the awarded grant through the administration of the state CDBG program.

Since CDBG funding is limited to units of local government (cities or counties), an organization that is ineligible to submit an application directly to CDBG (i.e. a water or sewer district, or a nonprofit) can still apply through these entities. The administration responsibilities are arranged between the local government entity and the organization in a written agreement. However, the ultimate compliance duty is always with the applying entity.

**Contractor:** A firm selected by the Subrecipient through a rigorous procurement process to provide a specific activity. The service cost will be reimbursed through the CDBG fund upon a satisfactory provision.
1.6 RECORDKEEPING
An adequate recordkeeping and filing system for the Missouri CDBG program is essential to document both recipient fulfillment of applicable regulations and accomplishment of program activities. Complete records are necessary for the two major aspects of CDBG audit, financial soundness and program compliance. Without adequate records to support programmatic decisions, even the best-performed program will receive an adverse audit. As noted earlier, all files and records must be kept at the subrecipient’s business offices and must be available to the public during regular business hours, except confidential files relating to housing and/or economic development. Subrecipients are required to control grant funds and establish adequate safeguards to protect the records that document CDBG transactions.

1.6.1 Record Retention Requirements
Subrecipients must retain records for extended periods, even though the activity may have been completed for some time. For all subrecipients, the provisions of 2 CFR 200.334 as modified by 24 CFR 570.502(a)(7)(ii) apply:

1. In general, you must retain records on CDBG-funded activities for the longest of the following:
   • Three years after the expiration or termination of the subrecipient agreement.
   • Three years after your grantee’s submission of the CAPER in which your specific activity is reported for the last time (24 CFR 570.502(a)(7)(ii)(A)).

2. You must retain records for individual activities subject to the reversion of assets provisions at 24 CFR 570.503(b)(7) for as long as this provision continues to apply to the activity (24 CFR 570.502(a)(7)(2)(B)).

3. You must retain records for individual activities for which there are outstanding loan balances, other receivables, or contingent liabilities until such receivables or liabilities have been satisfied (24 CFR 570.502(a)(7)(ii)(C)).

4. If any litigation, claim, audit, negotiation, or other action involving your records has started before the expiration of the 3-year period, your records must be retained until all findings involving your records have been resolved and final action is taken (2 CFR 200.334(a)).

CDBG program records should be maintained for five years from the date of project closeout.

In the event of litigation, claims, or other unresolved legal issues, the five-year period begins with the date noted on the Certificate of Completion. If litigation or other legal matters extend beyond the five-year period following the date on the Certificate of Completion, then the records retention period extends to the date of the final judgment or ruling in the case.
The records retention requirement applies to "source documentation", which refers to any writing that activates a flow of funds. Source documentation comprises purchase orders, invoices, contracts, checks, budget transfer memoranda, and other transaction documentation. It also includes writings verifying compliance with nonfinancial aspects of program administration (i.e. inspection reports that confirm the fulfillment of applicable regulations). For example, for housing unit lead-based paint inspections, a findings report should be completed and filed. Original documents are preferred, but copies are acceptable as source documents.

These record retention requirements represent minimum standards and should not automatically become your maximums. It is often in best interest to build an extra margin into your systems, in recognition of the fact that there will always be some unexpected demand on the system or other problems that may arise.

1.6.2 File Management Considerations

The importance of maintaining a logical and complete filing system cannot be overemphasized. The key consideration in designing any system is that it creates a clear "audit trail." This means that every transaction can be traced from beginning to end. (For example, a simple purchase of goods might begin with a purchase requisition followed by a purchase order that is matched with a receiving report when the goods arrive. These documents are then matched with a vendor's invoice and a check is processed. After appropriate accounting entries are made and the cancelled check is returned, the entire transaction may be filed.) Thus, the purchase may be traced from beginning to end by source documentation. The process of tracing is the primary concern of program auditors. A record and filing system that enables an auditor to quickly and easily trace transactions using source documentation and coding references will generally result in a favorable audit report. See grant audit requirements in the Closeout Chapter of this manual.
1.7 INTERNAL MONITORING

One of the most important functions undertaken by CDBG grant recipients is monitoring, or grant oversight. The four primary components of CDBG monitoring are progress on planned activities, program compliance, fiscal management and fiscal compliance. This will require development of a monitoring system that will allow recipients to:

- manage their community development program as a whole, and individual projects and activities substantially, as described in the approved CDBG application
- maintain program or project progress
- determine that costs charged to the project are eligible
- ensure that all program activities comply with all applicable laws and regulations and terms of the grant agreement
- eliminate the opportunity for fraud, waste, and mismanagement

The key to successful monitoring of many different contracts simultaneously is to maintain constant contact with the contractors. This can be accomplished by frequent discussions and site visits as well as the formal means of communication. These site visits should include checks of progress toward project milestones, a review of compliance with each contract provision, and confirmation of satisfactory work prior to the approval of each invoice. Only by making these efforts can recipients ensure that CDBG program progress is being maintained as specified by the CDBG contract with DED. Please refer to the Contract Management Chapter in this manual.

Recipients must also develop procedures to monitor internal management. For example, it is absolutely essential that the Request for Release of Funds and Certification be approved by DED prior to the commencement of any CDBG activity other than administration (See the Environmental Review Chapter). Ensuring a proper maintenance of program files, an adequate records and book-keeping, and a timely submission of reports to DED requires a system of internal monitoring.

By properly monitoring their program, recipients can promptly identify problems, make appropriate corrections while activities are ongoing, communicate with subrecipients on a routine basis, and report overall program status at any point in time.

Two suggestions to assist with internal monitoring follow:

1. A recommended file structure
2. A compliance monitoring checklist
1.8 RECOMMENDED CDBG ADMINISTRATION FILE STRUCTURE

Grant files are divided into categories and are coded to facilitate placement and retrieval of documents. If a recipient has more than one CDBG grant, separate files should be kept to distinguish between grant years. A sample of the CDBG file categories and their contents follows.

Following is a recommended file structure for administering CDBG projects. The structure includes the documentation that should be included in each file. However, please note that this structure is not all-inclusive, but rather a thorough outline. If this structure is followed, subrecipients should have few, if any, monitoring findings.

- **NATIONAL OBJECTIVE**
  - All income surveys and tabulation sheets, if applicable
  - Documentation of 51% LMI from census information, if applicable
  - Documentation of alleviating slums and blight, if applicable
  - Documentation of meeting an urgent health and safety need, if applicable

- **CITIZEN PARTICIPATION**
  - Affidavit of publication or certified posting for the public hearing held to review grant performance
  - Minutes of performance review public hearing
  - All criticisms, complaints, and subrecipients’ responses to these criticisms and complaints
  - Documentation of actions taken to involve all citizens in implementing the project

- **FINANCIAL MANAGEMENT**
  - Funding Approval/Grant Agreement
  - Checkbook
  - Activity ledger
Bank statements and evidence of reconciliation

All canceled checks

Copies of all RFFs and supporting invoices reference with check numbers, dates, and amounts paid

Cash match documentation including invoices, canceled checks, ledgers, etc. (If downtown revitalization, cash match must be one-for-one match with private investment.)

In-kind match documentation including employees, pay per hour, and number of hours worked on project (time sheets)

All contract amendments and supporting documentation

Copies of SFM01 and ACH form

Copies of all project audits

Copy of the close-out packet

Evidence of use of program income as approved by DED, if applicable

ENVIRONMENTAL REVIEW RECORD

Environmental Assessment

Environmental Assessment Review Letter

Affidavit of publication of Combined Notice or NOI/RROF

Historic Preservation Clearance (including memorandum of agreement)

Other applicable documentation such as floodplain notices, farmland impact rating, etc.

Evidence that all notices were sent to the required agencies (Return Receipt or copies of dated and signed letters)

All correspondence from CDBG staff (i.e., letters, e-mail logs, phone logs)
All comments received and the subrecipient’s responses to these comments

Request for Release of Funds and Certification (signed by CEO)

Removal of Grant Conditions

Notice of Release of Environmental Requirements (for private monies only) (Economic development projects only)

**EQUAL OPPORTUNITY**

- Total indirect beneficiaries, including breakdown of LMI, female heads of household, Hispanic, and minorities (Black, Asian, Native Hawaiian/Pacific Islander, Native American, etc.)
- Total direct beneficiaries, including breakdown of LMI, female heads of household, Hispanic, and minorities, if applicable
- Total direct beneficiary applicants, including breakdown of female heads of household and minorities (for housing and economic development projects)
- Evidence that equal opportunity guidelines were followed for persons hired specifically for the CDBG project
- Section 3 documentation
- All Contract and Subcontract Activity Reports
- Documentation of actions taken to further Fair Housing for each subsequent year the grant is open
- Documentation that Fair Housing impediments have been identified
- All equal opportunity/civil rights complaints and subrecipient’s response to these complaints

**PROCUREMENT AND CONTRACT MANAGEMENT**

- Copy of subrecipient’s procurement and conflict of interest policies
- Copies of the intergovernmental agreement
Evidence that subrecipient maintains a listing of all MBE, WBE, and Section 3 firms and the list was directly solicited for project activities.

Copies of subrecipient/local organization agreement if the city or county applied on behalf of the organization.

Approval from DED if less than three bids are received for any contract.

Evidence that the following certifications and executive orders are in all project contracts (Section 504, Section 109, Age Discrimination Act, Executive Order 11063, Executive Order 11246 (contracts exceeding $10,000), Section 3 (contracts exceeding $100,000), and Affirmative Action Plan.

Administration Contract

- Copy of the Request for Proposals (RFP) identifying all evaluation factors (see sample Administration RFP) (Note: Cost must be a factor.)
- Evidence that all known area administrators were solicited, including MBE and WBE firms
- Evidence of the selection criteria for award, including minutes of the meeting
- Documentation that all unsuccessful bidders were notified in writing
- Selected administrator’s license/debar check clearance letter from CDBG
- Executed administration contract as well as all proposals received

Engineering/Architectural Contract

- Copy of the Request for Qualifications (RFQ) identifying all evaluation factors (see sample Engineering/Architectural RFQ) (Note: Cost cannot be a factor.)
- Evidence that all known area engineers/architects were solicited, including MBE and WBE firms
- Evidence of the selection criteria for award, including minutes of the meeting
Documentation that all unsuccessful bidders were notified in writing

Selected engineer/architect’s license/debar check clearance letter from CDBG

Executed engineering contract as well as all proposals received

**Construction Contract**

Selected contractor’s and surety company’s, if applicable, license/debar check clearance letter from CDBG

Executed construction contract and bid specifications

Bid, performance, and payment bonds

Evidence that bids contain language relating to labor provisions, bonding, and equal employment opportunity

Documentation that items to be bid are clear and without reference to specific brand requirements

Labor Standards Provisions as well as the CDBG General Conditions and Supplemental Conditions

Contractor certifications

Subcontractor certifications, if applicable

Correct state and Federal wage rates

Affidavit of publication for bids in a general circulation newspaper (newspaper of widest circulation in the region)

Affidavit of publication for bids in minority and trade publications or evidence of direct solicitation

Documentation of the public meeting held to open bids as well as the bid tabulation

**Small Purchase Contracts, if applicable**
Listing of all vendors solicited, including MBE, WBE, and Section 3 firms, and price quotations

Copy of specifications provided to vendors, whether goods or services

Selected vendor's license/debar check clearance letter from CDBG

Executed contract

LABOR STANDARDS

Documentation that wage rates were verified within 10 days of opening bids

Documentation that the contractor eligibility was verified (disbarment check)

The Start of Construction Notice, including copy of DNR construction permit

The pre-construction report and minutes

Evidence that all contractors and subcontractors are in good standing with the State of Missouri

Separate payroll file for each contractor and subcontractor

All project payrolls complete with names, four-digit identification number, work classifications, hourly rates, etc.

Statement of compliance for each payroll

Payroll Authorization Letter, if applicable

Documentation of fringes per hour for each classification, if applicable

Documentation of “other deductions” accompanied with an employee and employer agreement for said deductions, if applicable

Apprentice documentation, if applicable

Documentation of Payroll Review Sheet for corresponding Payrolls

Employee interviews to cover a representative number of trades throughout the project
ACQUISITION

Separate file for each property acquisition

- Preliminary acquisition notice to acquire, including invitation to accompany appraiser

- Documentation that all landowners were provided with the brochure “When A Public Agency Acquires Your Property” (Return Receipt or signed statement)

Donations

- Waiver of rights to just compensation and release of subrecipient’s obligation to an appraisal

- If not waived, copy of appraisal or determination of value data

- All required title documentation including deed, recording evidence, etc.

Voluntary Acquisition

- Evidence of advertisement or invitation of property solicitation, including non-specific site and option to not acquire if negotiations fail

Standard Acquisition

- Appraisal and review appraisal

- If not appraised, documentation that property valued at less than $10,000

- Written offer to purchase, including statement for determining offer (Return Receipt)

- Evidence of clear title, survey, deed, and legal description

- Proof of payment

- Recorded deed
Report of Commendation Commissioners if result of condemnation

Written notice not to acquire, if applicable (Return Receipt)

Rental agreement and short term lease, if applicable

Evidence that the subrecipient has adopted appeal procedures

Evidence the property owner was informed of his right to appeal and judicial review (Return Receipt)

Evidence of subrecipient’s written determination of appeal (Return Receipt)

Evidence of state’s written determination of appeal (Return Receipt)

**ECONOMIC DEVELOPMENT**

Current payroll listing, including dates of hire

Employment Status Statements for all employees hired after job creation start date and completed summary sheet

Summary sheet indicating demographic data for all job applicants

Summary of private investment with supporting invoices and/or canceled checks

Documentation of repayment of program income, if applicable

**RELOCATION**

Separate file for each relocation

Notice of eligibility for relocation assistance (Return Receipt)

Evidence tenant was provided with applicable HUD brochure (Return Receipt)

Evidence of the 90-day Advance Notice to Move (Return Receipt)
Claim forms (e.g., tenant assistance or down payment assistance, replacement housing payment, moving and related expenses, etc.)

Evidence of donation if owner donates property in lieu of relocation payment

Documentation of payment (relocation and moving expense)

Selection of Most Representative Comparable Replacement Dwelling form

Evidence that the selected replacement unit was inspected and determined to meet DSS standards

Documentation that unit is infeasible to rehab and no comparable unit exists in the subrecipient's jurisdiction, if applicable

Evidence that displaced persons were notified of relocation assistance under 104(d), if applicable

Subrecipient's Residential Antidisplacement and Relocation Assistance Plan

Subrecipient's one-for-one replacement plan, if applicable

Evidence that the subrecipient has adopted appeals procedures

Evidence of informing individual of his right to an appeal and judicial review (Return Receipt)

Notice of Denial of Relocation Assistance Claim, if applicable

Evidence of subrecipient's written determination of appeal (Return Receipt)

Evidence of state's written determination of appeal (Return Receipt)
1.9 PROPERTY MANAGEMENT

1.9.1 Introduction

During the course of a CDBG project, recipients may purchase a variety of items necessary to successfully carry out implementation. Depending on its nature and value, there must be an accounting for property acquired with CDBG monies in accordance with the provisions of 24 CFR 85, as modified by 24 CFR 570, Subpart J.

There are two broad classifications of property that may be acquired with CDBG monies. These are as follows:

1. Real Property – land, including improvements, structures, and appurtenances

2. Personal Property – includes all property that is not considered real property such as equipment, desks, computers, lumber, tools, supplies, or intangible items. Intangible items include patents, inventions, and copyrights. Personal property is further classified as:

   • Non-expendable – all tangible property having a useful life of more than one year and an acquisition cost of $3000 or more per unit, such as computers

   • Expendable personal property – all tangible property other than non-expendable items, such as office supplies and construction materials

Title to real property acquired in whole or in part with CDBG monies shall vest with the community as long as it is used for its authorized CDBG eligible purpose. Such real property must be used for the eligible activity approved by CDBG, and continue to meet the national objective, for no less than five (5) years after closeout of the project. If real property is no longer needed for authorized CDBG purposes, the CDBG recipient shall request disposition instructions from DED as follows:

The amount of compensation shall be computed by applying the percentage of DED/Federal participation in the cost of the original purchase to the current fair market value of the property. For example, if the DED participation was 50% in the program and the fair market value of the property at the time of disposition is $20,000, DED shall be reimbursed $10,000. The Department reserves the right to utilize the option of a straight-line depreciation schedule longer than 5 years to determine repayment, if deemed appropriate, with the subrecipient’s consent.

This rule extends to real property purchased, constructed, or rehabilitated with CDBG funds for grant recipients and sub-recipients.

A CDBG recipient may use non-expendable personal property for community development activities as long as it is needed, even if DED is no longer needed for the original program. The property should be used in conjunction with other Federally-sponsored activities in the following order:
Activities sponsored by HUD

Activities sponsored by other Federal agencies

Disposition of non-expendable personal property should take the same form as the explanation of real property.

DED regulations require maintaining effective control over all property acquired in whole or in part with CDBG funds. In addition, recipients are required to assure that it is used solely for authorized purposes.

DED requires the maintenance of a property register as an integral part of effective control over and accountability for all CDBG acquired property. All categories of property may be recorded on this single register, though separate registers should be kept for each project if the community administers more than one grant. When such property is purchased with CDBG funds, enter the applicable date on the register using the procedures described below. For example, in the case of real property, you may want to record the previous owner of a purchased parcel of land. Recipients may also wish to maintain a property management card for each item obtained.

All purchased property must be adequately controlled and safeguarded. For example, real property, such as buildings, should be adequately equipped with security devices. Non-expendable property, such as desks and computers, should be reasonably protected from theft. In addition, the receipt and issuance of expendable personal property must be controlled.

1.9.2 Procedures

1. Identify all assets in real and non-expendable personal property for each CDBG grant.

2. Classify all assets according to the following classification scheme:

   real property
   
   a. land acquired
   
   b. land improved
   
   c. buildings and facilities
   
   d. equipment – non-moveable

   non-expendable personal property
   
   a. valuation $1 – $300
b. valuation $301 – 4,999

c. valuation $5,000 or more

3. Conduct a complete inventory of all property assets at two-year intervals or at project close-out.

4. Identify all non-expendable personal property by a tag permanently affixed to it which provides the following information:
   a. CDBG grant and year
   b. I.D. number

5. Maintain a property register for each CDBG grant. The register shall consist of a current and complete listing of all property acquisitions and dispositions. If, as part of the close-out process, the subrecipient is directed to compensate DED or the Federal government for its share of the property, then the method used to determine the fair market value should be noted.

6. In addition to the information contained on the register, a Property Management Card file for each item may be maintained to:
   a. provide a continuous record of the current value of the property
   b. maintain coding classification references, location, and use information
   c. provide a subsidiary file tied to the property register

7. For expendable personal property, such as that used in housing rehabilitation projects (lumber and electrical fixtures), there must be:
   a. adequate records of the receipt of goods, issuance of goods, and balance of items on hand
   b. documentation of the person who authorized the issuance of goods
   c. documentation of the location, such as a house or project, to which the goods were delivered
   d. documentation of the individual who received the goods
   e. other expendable personal property, such as office supplies, does not need this level of control. However, items must be adequately safeguarded.
**PROGRAM ADMINISTRATION HELPFUL HINTS**

- Lack of attention to program requirements slows project progress.
- Paperwork organization is extremely important.
- Assigning one point of contact with the city or county eases communication and lessens misunderstanding.
- Remember that the responsibility of the grant rests with the city or county.
- Keep a set of records at the city hall or county courthouse.
- Monitor yourself before the state monitors you (monitoring checklists are on the DED CDBG website.)
- Real property purchased with CDBG funds is subject to repayment if it changes hands.
- Notify the appropriate Field Rep/CDBG staff if there are any address, telephone number, or e-mail changes for grant administrators, Regional Planning Commissions, project engineers/architects, cities, counties, etc.

**Notify the appropriate Field Rep/CDBG staff of any key personnel changes.** This would include grant administrators, RPC Executive Directors, engineers/architects, city officials (mayors and presiding commissioners), etc.