

CHAPTER 2. MANAGING THE ENTITLEMENT GRANT CYCLE

- 2-1 OVERVIEW. The objective of the Entitlement Program is to provide benefits through CDBG-funded activities to low and moderate income persons, citizens affected by slum or blighted conditions, and citizens affected by a serious and immediate threat to public health or welfare. Staff responsible for reviewing and responding to information submitted by grantees must understand the actions which they must take to ensure that grantees are promptly advised of the acceptability of the information they submit and of any further requirements which must be met.
- 2-2 FIELD OFFICE RESPONSIBILITIES
- A. The Field Office is responsible for the day-to-day management of the block grant program. During the program year for each grantee, the Field Office conducts the annual performance review, approves the Comprehensive Housing Affordability Strategy (CHAS), processes the final statement and reviews the Grantee Performance Report (GPR). Field Office responsibilities also include oversight of grantee performance through on-site monitoring, responding to inquiries from grantees and the general public, training of grantees, dissemination of policy, provision of technical assistance, and coordination with other divisions within the Field Office on matters of interest to CPD.
- B. The Regional Office provides oversight of Field Office performance. Requests sent by the Field Office to Headquarters for a policy determination or approval of a recommended action may need to be routed through the Regional office for concurrence or the provision of additional comments, information, or recommendations, as determined by the applicable Region.
- 2-3 DELEGATION OF AUTHORITY. Certain responsibilities are delegated to Field Offices, while other actions and decisions must be made by the Regional Offices or Headquarters.

- A. Regional or Field Offices are authorized to:
1. Approve the CHAS;
 2. Process final statements;
 3. Execute Grant Agreements;

4. Make judgements concerning a grantee's performance;
 5. Impose corrective and remedial actions except terminating, reducing, conditioning, or otherwise limiting the availability of the grant;
 6. Approve the release of funds; and
 7. Make determinations of the legal authority of an urban county to carry out CDBG and housing activities.
 8. Make determinations of non-compliance under Section 109 of the HCD Act of 1974, as amended (Regional Office only).
 9. Grant exceptions to the section 104(d) requirement for one-for-one replacement of low- and moderate-income dwelling units.
- B. Headquarters. Authority to take the following actions has not been delegated below the level of the Assistant Secretary for CPD:
1. Disapprove final statements;
 2. Terminate, reduce, or otherwise adjust or limit the availability of entitlement grants;
 3. Determine who qualifies for entitlement grants and basic entitlement grant amounts;
 4. Waive the general terms and conditions of the community development block grant agreement;
 5. Issue rules and regulations;
 6. Waive any requirement of 24 CFR Parts 570, 571, 85 and 91; and

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7. Determine that a grantee lacks the legal capacity to assume or carry out environmental review responsibilities.

2-4 ENTITLEMENT CYCLE. Funds are allocated to entitlement cities and urban counties on an annual basis by a statutory formula. The grantee must apply for the funds by submitting a final statement, generally for a twelve month period. This twelve month period, or program year as it is generally called, may be shortened or lengthened by the grantee, provided HUD is given adequate notification in accordance with the regulations (see 570.302(b)(2)).

- A. Comprehensive Housing Affordability Strategies. Although the entitlement grant cycle is generally perceived to begin on the program year start date specified in the Grant Agreement, it initially begins when the community submits its CHAS. The CHAS is due by October 1 and no later than December 31. A grantee cannot receive entitlement funding without an approved CHAS which is in effect for the year in which the final statement is submitted. The Comprehensive Housing Affordability Strategy is a five year document which estimates the housing assistance needs of very low-income, low-income, and moderate income families and assesses the availability of unassisted housing, assisted housing, and other resources for addressing these needs. Each year, the jurisdiction will decide how the available resources will be used to provide affordable housing for needy families and supportive housing for homeless persons and others with special needs. The CHAS Performance Report is due by December 31 of each year. Chapter 3 provides detailed instructions for reviewing the CHAS performance report.
- B. Final statement. The grantee's final statement is submitted following approval of the CHAS by the Field Office, although there may be several months between these two events since the CHAS will generally be submitted in October, while a grantee may submit its final statement anytime during the period beginning December first and ending on the first working day in September. The final statement, which a grantee should submit at least 30 days prior to the start of its program year, briefly describes the grantee's community development program objectives and how it plans to use

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the CDBG funds which will be available (new grant funds and program income) during the next program year. The final statement submission must include certifications satisfactory to the Secretary covering all of the items required by statute and the regulations, including those related to civil rights. The Grant Agreement which is sent to the community for execution following processing of the final statement contains the terms and conditions which govern acceptance of the CDBG funds. Chapter 4 contains detailed instructions for processing final statements.

- C. Grantee Performance Report. Each year the community must submit a report describing how it carried out its Entitlement Program during the most recently completed program year. This is the grantee performance report (GPR), which is due no later than 90 days after

completion of the program year. The GPR provides HUD the most concise description of the activities for which the grantee obligated or expended funds during the program year. The GPR provides the most comprehensive in-house information concerning whether the grantee's activities are eligible and meet a national objective. It is also a primary source of information for selecting activities to be monitored on-site. Chapter 7 includes the checklists and instructions for GPR reviews.

- D. On-site Monitoring. Monitoring of the grantee on-site provides valuable additional information about the grantee's performance. Based on information obtained from the GPR, final statements, prior monitoring visits, citizen complaints, risk analysis, audits, and correspondence, the Field Office determines which grantees to monitor on-site and which aspects of the grantee's program and which particular activities need to be so monitored. Guidance for conducting on-site monitoring is included in the Monitoring Handbook, 6509.2 REV-4.
- E. Annual Performance Review (APR). The information gathered as a result of all of the previous steps in the entitlement cycle are used to make an annual comprehensive assessment of the grantee's performance in preparation for the grant award for the next year. Chapter 9 includes detailed instructions on documenting a grantee's performance prior to making the next grant award as required by section 104(e)(1) of the HCD Act of 1974, as amended and Subpart O of the regulations.

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2-5 TIMING

- A. Coordinating the work schedule. The timing of grantee submissions and time frames required for adequate reviews by Field staff are important factors in coordinating the office work schedule throughout the year. This Handbook provides guidance on the timing of various submissions, including due dates and the time frames for the Field Office response. In order to adequately fulfill our oversight responsibilities, it is important that we meet these dates to the maximum extent feasible.
- B. The key elements in the review of entitlement grantees, performance are the grantee performance report, on-site monitoring (where applicable), and the Annual Performance Review. To be most effective, these three must be used together. Review of the GPR may reveal activities that are questionable and in need of further information in order to determine whether they meet

program requirements. Since the GPR is received early in the grantee's next program year, it should be reviewed promptly so that HUD can identify and advise the grantee of problem situations before they develop into more serious concerns. If the community has been selected for on-site monitoring, it should be scheduled to closely follow completion of the GPR substantive review. In any event, a letter should be sent to the grantee immediately following the GPR review, identifying all questionable activities, what additional information HUD will need to receive in order to make a determination concerning eligibility and national objective compliance, which of that information is to be conveyed in writing, and, if applicable, which will be reviewed during the on-site visit. The GPR review is a primary source of information for selecting activities to be monitored on-site.

- C. Objectives. To the extent workload considerations permit, the completion of activity reviews in the early stages of the grantee's program year will also assist us in our goal of providing guidance and assistance to grantees rather than simply notifying them that activities already underway or completed do not meet program rules.

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- D. Annual Performance Review. The Annual Performance Review should be staged to occur much later in the program year. Since this is the mechanism HUD uses to consider a grantee's performance against the full array of program requirements and concerns, it should be held ideally just prior to the awarding of the next annual grant. Again, in cases where performance deficiencies are still in question, the additional time may be extremely useful. This will facilitate consideration of the latest available data on all aspects of a grantee's performance just before being faced with a decision on whether a grant reduction or condition should be imposed or whether a certification should be challenged. By conducting GPR reviews, on-site monitoring, and the Annual Performance Review in a carefully planned and coordinated manner, we should be able to fully resolve the maximum number of identifiable concerns about a grantee's performance at the most advantageous point in time.

2-6 DEVELOPING AND MAINTAINING SYSTEMS. Adequate internal systems which alert appropriate staff to due dates for submissions, responses, and actions to be taken are an essential element in the management of the Entitlement Program by Field Office CPD staff. Certain actions must occur within dates established by the regulations,

management plan or other policy documents, while others are dependent on actions by the grantee (e.g., requests for release of funds). Still others are controlled by Field Office staff, such as due dates for responses to monitoring findings.

A. Systems for Tracking Due Dates and Responses. Systems should be in place in each Field Office to track the dates listed below. A sample form which may be used by Field Offices for tracking CHASs is included as Exhibit 2-1 and a sample GPR review tracking log is included as Exhibit 2-2.

1. Due dates for submissions of CHASs, final statements, GPRs and audits.
2. Target dates for completion of reviews of CHASs and GPRs.
3. Grantee responses to findings. Findings resulting from monitoring reviews and GPR reviews should be tracked using FORMS\CPD. If the initial grantee

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response to a finding (monitoring, GPR, or audit) is not adequate, the Finding Summary Sheet (Exhibit 2-3) should be maintained to record progress of efforts to resolve the finding.

B. Logs. Each Field Office should also have in place logs which track the following:

1. Program income
 - a. Activities which are (or are likely to be) income producing for the grantee should be recorded in a log to assure that income is not lost to the CDBG program. The regulations require that program income as defined in 570.500(a) must be recorded as part of the financial transactions of the Entitlement Program and that program income is treated as additional CDBG funds subject to all applicable requirements governing the use of CDBG funds.
 - b. For these reasons as well as the fact that the income may not be received for several years after the initial expenditure of CDBG funds for the activity, it is important that each office track potential income producing activities for each grantee. A sample program income log is included as Exhibit 2-4. There should be a separate log for each grantee which identifies

grantee and subrecipient activities which generate or are likely to generate program income, such as:

- (1) Loans (rehabilitation, economic development, etc.) made with CDBG funds;
- (2) Real property acquired by the grantee or a subrecipient with CDBG funds, where it appears likely from the description or nature of the activity that the property will not remain in public ownership;
- (3) Real property owned by the grantee or a subrecipient that was improved with CDBG funds through clearance, demolition, site improvements, rehabilitation, or

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construction, where it appears likely from the description or nature of the activity that the property will not remain in public ownership.

2. Requests for Release of Funds. Field Offices should keep track of the requests for release of funds. See Exhibit 6-3 for a sample log.
3. Citizen Complaints. Field Offices shall maintain a citizen complaint log which tracks receipt of the complaint, the date the complaint was sent to the grantee for direct response, and the date a copy of the grantee's response was reviewed by the Field Office, and whether additional review is needed to determine if there has been non-compliance. Complaints alleges violation of civil rights requirements, criminal wrongdoing or violation of HUD standards of conduct are to be referred to the appropriate offices as specified in the CPD Complaints Handbook, 5552.0 Rev.-2. The log should note the date of referral and the office to which the complaint was referred. See Chapter 6, paragraph 6-6A, for procedures to be followed for handling complaints related to Environmental Requests for Release of Funds.
4. Cost Allocation Plans for which HUD is the cognizant agency, listed by grantee and entity within the grantee.
5. Miscellaneous logs. Logs should be established and maintained by CPD staff whenever necessary to track referrals to other offices or Headquarters, to or to

ensure that actions are taken at the appropriate time or information is provided in a timely manner.

- C. Files. The official files should enable the Field Office to carry out its review functions efficiently and to adequately support conclusions reached on any aspect of grantee performance. The file system should be updated as necessary to incorporate new requirements or information, such as one-for-one replacement submissions from grantees.

2-7 CLOSEOUTS. As the term is used in the CDBG regulations, a grant closeout for entitlement grantees will take place sometime after a grantee ceases to receive entitlement

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funds. As described at 570.509(a), a grant closeout occurs when HUD determines, in consultation with the grantee, that:

- A. All costs to be paid with CDBG funds have been incurred with the exception of closeout costs and costs of contingent liabilities;
- B. The work has been completed for activities financed by means of escrow accounts, loan guarantees, or similar mechanisms; and
- C. Other responsibilities under the grant agreement, applicable laws, and regulations appear to have been carried out satisfactorily, such as achievement of national objectives, or there is no further Federal interest in keeping the grant agreement open for the purpose of securing performance.

2-8 ADDITIONAL EXHIBITS. The following exhibits will assist CPD staff in meeting the responsibilities of the Field Office.

- A. Generic Calendar of Submission Dates and Review Deadlines, Exhibit 2-5.
- B. List of Key CPD Reference Materials, Exhibit 2-6.
- C. List of documents or items related to the entitlement program which are to be submitted to Headquarters, Exhibit 2-7.

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Exhibit 2-1

REPORT	each year.	completed within 90 days
MONITORING	Preferably, closely following review of GPR.	Letter to grantee should be dispatched within 30 days of last day of visit.
ANNUAL PERFORMANCE REVIEW	Conducted just prior to the start of the program year.	Review must be completed at time Office Manager signs the Grant Agreement, (HUD-7082).

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Exhibit 2-6

List of Key CPD Reference Materials

1. Housing and Community Development Act of 1974, as amended.
2. Community Development Block Grant Program Regulations, HUD Handbook 6500.
3. Guide to CDBG Eligible Activities (Publication HUD-CPD-89-01, issued September 1988)
4. CDBG Entitlement Policy Guidance Notebook and Updated Index (CPD Notices 89-02 and 89-45)
5. Program Income Training Bulletin (Publication HUD/CPD-90-1, issued April 1990)
6. Subrecipient Training Bulletin (Publication HUD 1267-CPD, issued August 1990)
7. Entitlement Grantee Performance Report (GPR) Instructions, HUD Handbook 6510.2 Rev-1 and changes 1 and 2
- B. Community Planning and Development Monitoring Handbook 6509.2 REV-4 and changes 1 through 4
9. Community Planning and Development Complaints Handbook 5552.0 REV-4
10. 24 CFR Part 85, Uniform Administrative Requirements for Grants and Cooperative Agreements to State & Local Governments. (Common Rule)
11. OMB Circular A-87, Cost Principles for State & Local Governments; and A-122, Cost Principles for Non-Profit

organizations

12. OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Non-Profit Organizations
13. OMB Circular A-128, Audit Requirements for State and Local Governments; and OMB Circular A-133, Audit Requirements for Nonprofit organizations

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Exhibit 2-7

CDBG ENTITLEMENT PROGRAM

SUBMISSIONS TO HEADQUARTERS

DOCUMENT	ANNUAL DUE DATE	HEADQUARTERS OFFICE
Final Statement	When the substantive review is completed.	Policy Coordination Unit, CPD
Disclosure of Lobbying Activities, Form SF-LLL	Disclosure submitted by grantee with Final Statement and immediately sent by FO to HQ. Subsequent forms are batched and submitted at the end of each quarter	Office of Ethics, Administration
HUD Notification (HUD-7028)	When the grant transmittal letter is signed	Office of Legislation and Intergovernmental Relations (CIR)
Grantee Performance Report (GPR)	When the substantive review is completed	Policy Coordination Unit, CPD
Copies of GPR substantive review letters	When issued	Entitlement Communities Division, OBGA, CPD
Annual schedule of on-site monitoring visits	October 31 and as revised during the year	Field Coordination Unit, CPD

Copies of CHAS log

First of each
month for first
two quarters of FY

Office of
Affordable
Housing, CPD

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Exhibit 2-7

Copies of initial
monitoring letters
discussing
programmatic
reviews and/or
team visits

When issued

Entitlement
Communities
Division, OBGA,
CPD

Copies of letters
reporting results
of relocation or
acquisition
monitoring review
and each follow-up
letter

When issued

Relocation and
Real Estate
Division, OAHP,
CPD

Workload
Identification/
Training and
monitoring
Schedule
(HUD-4025)

October 31 and
April 30 of each
year

Relocation and
Real Estate
Division, OAHP,
CPD

Annual Relocation
and Acquisition
monitoring
Schedule

October 31. An
updated schedule
is included in the
Semi-Annual Report
due April 30

Relocation and
Real Estate
Division, OAHP,
CPD

Semi-Annual
Reports of
Relocation, Tenant
Assistance and
Acquisition
including
HUD-4047,
HUD-4048,
description of
training and TA
provided, and
explanation of
significant
problems

October 31 and
April 30 of each
year

Relocation and
Real Estate
Division, OAHP,
CPD

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Exhibit 2-7

Copies of initial monitoring letters written by the Environmental Specialist	When issued	Office of Environment and Energy, CPD
Recommendations dealing with findings which have been open for a year or more	Year round	Field Coordination Unit, CPD
Recommendations for grant conditions, reductions, or other restrictions	Year round	Field Coordination Unit, CPD
Copies of grant approval letters and agreements imposing special conditions authorized by Headquarters	When issued	Entitlement Communities Division, OBGA, CPD