



PROGRAM CLOSEOUT CHECKLIST Round II Urban Empowerment Zones November 16, 2009

The purpose of this checklist is to summarize crucial documents and milestones for orderly closeout of the current Round II Urban Empowerment Zone grants.

During the period following HUD's designation of Round II Empowerment Zones (EZs) on December 31, 1998, each of the fifteen Round II designees entered into a grant agreement with HUD and each EZ was awarded a total of approximately \$25.6 million in grant funds during the period from Fiscal Year 1999 through 2005.

HUD has established July 2, 2010 as the end of the grant period for all Round II EZs. In accordance with the FY2005 amendment to each EZ's grant agreement, EZ grant funds must be fully expended no later than September 30, 2010. Round II EZs should therefore plan to complete their EZ grant funded activities by the end of the grant period on July 2, 2010, and request reimbursement of eligible expenses promptly thereafter. **Please be advised that any unexpended EZ grant funds from the FY2003 to 2005 awards remaining in your HUD Line of Credit account will be cleared several days prior to September 30, 2010, consistent with HUD's fiscal year end accounting procedures.**

IMPORTANT DATES:

12/31/2009	End of the designation period
07/02/2010	End of the Round II HUD EZ grant period
09/30/2010	Unexpended HUD EZ grant funds expire
09/30/2010	Round II EZ grant closeout documents are due to HUD
12/31/2010	HUD/OCR completes review of grant closeout for Round II EZs

THIS GUIDANCE APPLIES TO THE FOLLOWING ROUND II URBAN EMPOWERMENT ZONES:

CA	Santa Ana
CT	New Haven
FL	Miami-Dade
IN	Gary/E. Chicago/Hammond
MA	Boston
MN	Minneapolis
MO/IL	Greater St. Louis
NJ	Cumberland County
OH	Cincinnati
OH	Columbus
SC	Columbia/Sumter
TN	Knoxville
TX	El Paso
VA	Norfolk/Portsmouth
WV/OH	Huntington/Ironton

Important Considerations:

Reimbursement for Final Expenses: As set forth in the your EZ Grant Agreement with HUD, **EZ grant funds awarded during the FY2003-2005 fiscal years must be expended no later than September 30, 2010, which is the end of the 2010 Federal fiscal year.** As a practical matter, Grantees should submit their requests for reimbursement of final expenses incurred during the grant period as soon as possible, since the EZ accounts will be closed by HUD's financial system several days prior to September 30, 2010. Only expenses incurred during the grant period are eligible for reimbursement from your EZ grant Line of Credit account. **Costs incurred after the end of the grant period (July 2, 2010, unless otherwise provided by HUD), are not eligible for reimbursement.**

Grantees will no longer have access to reimbursement from LOCCS through HUD's automated Voice Response System after the grant period ends. Requests for reimbursement of costs incurred during the grant period, but submitted after that date, will be processed manually by the program office, HUD's Office of Community Renewal (OCR). To ensure that all eligible expenses can be processed by HUD before the grant accounts are closed in September 2010, please plan to submit any final reimbursement requests to OCR as soon as possible after the end of the grant period. EZ grantees are advised to [submit final requests for reimbursement no later than August 15, 2010](#) to ensure timely processing and disbursement of grant funds.

EZ Responsibility for Grant Closeout: Round II EZ Grantees are responsible for submitting in writing, within 90 days after the end of the grant period, all financial, performance, and other reports as required by the terms and conditions of the award and 24 CFR Part 85. Based on the July 2, 2010 date for the end of the grant period, [the deadline for submitting closeout documents is September 30, 2010](#). Any requests for an extension of time to submit closeout documents or otherwise modify the final reporting requirements should be submitted to OCR, in writing, no later than August 31, 2010.

Grantees may provide closeout documents prior to this deadline if desired. Grantees whose Round II EZ programs are administered through nonprofit sub-recipients must ensure that EZ grant supported activities are completed by the end of the grant period and that the Grantee has control over property and retains access to all program performance and financial data necessary to complete HUD closeout documents after the grant period and related sub-grants end. Grantees are responsible for closeout costs since program expenses incurred after the end of the grant period are not eligible for reimbursement from EZ grant funds.

Required elements of the closeout package are as follows:

1. **Transmittal letter** acknowledging the end of the Round II EZ grant period and certifying that all required documents are provided. This letter must be signed by the grantee and lead implementing entity, if different.
2. **Final Federal Financial Report (SF 425) for the period ended September 30, 2010.** This report should indicate any final balance of unexpended EZ grant funds in your HUD line of credit account, as well as the balance of program income earned during the grant period and remaining in any accounts held by the Grantee and/or its sub-recipients.
3. **Most recent Annual Audit report (A-133)**, for grantees that expended \$500,000 or more in EZ grant funds during the past year.

4. **Request disposition instructions for surplus assets remaining at the end of the grant period.** If applicable, grantees should provide an inventory and fair market value estimate of surplus EZ grant funded assets remaining at the end of the grant period, including:
- real property** that is no longer needed for the originally authorized purpose, as described in 24 CFR 85.31(c),
 - equipment with a current per unit fair market value in excess of \$5,000**, as described in 24 CFR 85.32(e), and/or
 - unused supplies, where the total aggregate fair market value of the residual inventory exceeds \$5,000**, as described in 24 CFR 85.33(b).

HUD will provide instructions for disposition of surplus assets in accordance with 24 CFR Part 85.

5. **Final Round II Program Income report.** This report should include total program income earned during the grant period that remains on hand at closeout, as well as information on the amount of program income dispersed to eligible EZ activities since the date of your last semi-annual program income report, for the period ending June 30, 2010 – through the date of the final financial report (i.e., program income dispersed during the period from July 1, 2010 through September 30, 2010, unless otherwise authorized by HUD). The final program income report should indicate the balance remaining upon closeout, for each Implementation Plan funded with EZ program income, including revolving loan funds.
6. **Program income request.** If the grantee reports a balance of unspent program income at the end of the grant period on their Final Program Income Report and SF 425, the grantee must also include with the transmittal letter, a plan describing its proposed use for the remaining funds, including any unspent balance of program income that remains in an EZ revolving loan fund.

HUD will complete its review of the Grantee's closeout documents **within 90 days of receipt**. Upon completing its review of the grantee's closeout documents, HUD will prepare a **Grant Closeout Agreement** for the grantee's signature, acknowledging the end of the award period, certifying that all requirements have been met, and setting forth any other provisions as may be determined by the parties to the Round II Empowerment Zone grant agreement.

Record Retention: EZ grantees are further responsible to maintain records regarding their HUD EZ grant program for a minimum of three years following grant closeout. EZ grantees who administer their program through a nonprofit sub-recipient must ensure that HUD can access program records for the required period even after the sub-recipient contracts end.

Impact of Proposed Extension Legislation on Round II EZ Grant Period. Should Congress act to extend the designations and availability of tax incentives for Round II EZ, such action would **NOT** change the deadlines for grant close out contained in this checklist. Specifically, amending 26 USC 1391(d)(1)(A)(i) would **NOT** extend the grant period for the FY1999 through FY2005 HUD Round II EZ grant funds.

CONTACT INFORMATION:

Inquiries by telephone or email should be directed as follows:

Office of Community Renewal
451 7th Street, SW Room 7130
Washington, DC 20410
Phone: (202) 708-6339
Fax: (202) 401-7615

Email: OCRCloseOut@hud.gov

Round II Urban Empowerment Zones

CLOSEOUT CHECKLIST AND TIME LINE FOR SUBMITTING ITEMS TO HUD

Document Or Milestone	Applicable Date	Additional Guidance
<p>1a. Deadline to submit NEW Implementation Plans (IPs) for EZ activities that require specialized HUD review, such as:</p> <ul style="list-style-type: none"> i. Environmental review [24 CFR Part 50], ii. Requests for consideration under the exception criterion for the resident benefits standards [24 CFR 598.610(c)] iii. Requests for consideration under the exception request provision for the economic development standards [24 CFR 598.615(b)] iv. Requests for other exceptions to or waivers of existing HUD rules and/or grant agreement provisions applicable to EZ grant funded activities 	<p>January 31, 2010</p>	<p>Implementation plans must be approved by the EZ governance board before the plan is submitted for HUD review in PERMS.</p> <p>Implementation Plans submitted after January 14, 2008 must meet the Performance Standards for HUD EZ grant funds set forth in 24 CFR 598, Subpart G.</p> <p>Requests for consideration under exception criteria for resident benefit or economic development standards in 24 CFR 598.610 or 615, as well as any other special requests must be submitted to OCR in writing.</p> <p>EZs should coordinate with Environmental Officers in their local HUD CPD Office to complete Part 50 requirements. Part 50 requirements must be met before EZ grant funds can be dispersed for eligible project costs.</p> <p>Grant supported activities must be completed by the end of the grant period.</p>
<p>1. b Deadline to submit NEW Implementation Plans that do <u>not</u> require specialized review.</p>	<p>March 31, 2010</p>	<p>Implementation plans must be approved by EZ governance board before the plan is submitted for HUD review in PERMS.</p> <p>Implementation Plans submitted after January 14, 2008 must meet the Performance Standards for HUD EZ grant funds set forth in 24 CFR 598, Subpart G.</p> <p>Grant supported activities must be completed by the end of the grant period.</p>
<p>2. End of Grant Period</p>	<p>July 2, 2010</p>	<p>Requests for extension of time to continue incurring costs for approved activities after July 2, 2010 must be submitted to OCR in writing.</p>
<p>3. Last day to complete EZ grant-supported Implementation Plans</p>	<p>July 2, 2010</p>	<p><i>Note: "Obligations" are defined in 24 C.F.R. 85.3 and are limited to activities that will be fully completed during the grant period in order to qualify as allowable costs under 24 C.F.R. 85.22 and OMB Circular A-87.</i></p>

Document Or Milestone	Applicable Date	Additional Guidance
4. Last day to submit voucher requests for EZ grant funds using HUD's Voice Response System	July 2, 2010	<p>Requests for reimbursement of EZ expenses from EZ grant funds that are received <i>after</i> the end of the grant period will be processed manually by OCR.</p> <p>Please submit such requests promptly so HUD can process reimbursements well before EZ accounts are closed at the end of the federal fiscal year (See items 7 and 8).</p>
5. Program Income earned after this date is not subject to grant requirements (unless grant period is extended)	July 2, 2010	Refer to 24 CFR 85.25 and OCR's September 2008 Program Income guidance.
6. 2010 Annual Report due in PERMS	July 31, 2010	<p>2010 Annual Report is cumulative, and includes progress on EZ activities through the end of the grant period (7/2/2010).</p> <p>All updates to IPs included in the 2010 report should be completed by 6/30/2010.</p> <p>Report will be submitted by EZ to HUD online, via PERMS.</p>
7. Deadline to submit requests for final reimbursement of expenses incurred during the grant period.	August 15, 2010	<p>LOCCS funds may only be dispersed for approved EZ expenses and obligations that are incurred during the grant period.</p> <p>Requests for reimbursement submitted after 7/2/2010 will be processed manually by the Office of Community Renewal.</p> <p>The August 15, 2010 deadline allows HUD sufficient time to process reimbursement requests before the FY2003-2005 EZ grant accounts are closed for the fiscal year (accounts typically close several days before September 30, 2010).</p>
7a. EZ Grant Line of Credit Accounts are cleared by HUD	Approximately September 20, 2010	<p>Grantees are advised to request final reimbursement of expenses incurred during the grant period in a timely manner.</p> <p>Requests to disperse Round II EZ grant funds from your Line of Credit accounts must be processed <i>before</i> HUD's financial office clears the account for the fiscal year.</p>

Document Or Milestone	Applicable Date	Additional Guidance
8. Request for extension of time to submit closeout documents	August 31, 2010	<p>Grantee must submit request for extension to HUD's Office of Community Renewal in writing.</p> <p>OCR may extend a grantee's deadline for submitting one or more closeout reports as required by 24 CFR 85.50(b). Extensions may not exceed 90 days.</p>
9. Round II EZ Grant Closeout Package due to HUD	September 30, 2010	<p>Closeout package includes the following items:</p> <ol style="list-style-type: none"> 1) Transmittal letter signed by grantee and lead entity (if different) 2) Final financial report (SF 425) 3) Most recent A-133 audit 4) Request for instructions on disposition of surplus assets (if applicable). 5) Final program income report 6) Spending plan for any balance of program income earned during the grant period and remaining on hand on September 30, 2010. Plan should include proposed use of program income remaining in any revolving loan funds, as well as program income earned from other activities.
9a. Submit Transmittal Letter for grant closeout package to HUD	September 30, 2010	<p>Transmittal letter must be signed by grantee and lead entity, if different.</p> <p>Grant closeout agreement must be signed by all parties to the grant agreement</p>
9b. Submit Final Financial Report (SF 425)	September 30, 2010	<p>SF 425 is cumulative and should be signed by grantee and lead entity, if different.</p>
9c. Submit most recent A-133 Audit of EZ program	September 30, 2010	<p>Grantees that expend at least \$500,000 in federal awards during its fiscal year must have a single audit conducted, EXCEPT when it elects to have a program-specific audit.</p>
9d. Request instructions for disposition of surplus assets (including real property, equipment and supplies), if applicable.	September 30, 2010	<p>Required if value of surplus EZ grant funded assets are no longer needed for the originally authorized purpose and/or exceed minimum value set forth in 24 CFR Part 85. Grantee should include inventory and fair market value with request for disposition instructions.</p>

Document Or Milestone	Applicable Date	Additional Guidance
9e. Submit final Round II EZ Program Income report	September 30, 2010	Use OCR program income reporting format, including amount of EZ program income earned during the grant period and dispersed since the last program income report, as well as the balance remaining in each Implementation Plan funded with program income.
9f. Submit plan for spending program income that was earned during the grant period, and remains unspent upon completion of the final financial report.	September 30, 2010	<p>Grantees that seek to retain any unspent program income that was earned during the grant period must identify and justify the activities to be supported with the remaining funds, and reference the applicable IP for that activity.</p> <p>NOTE: Grantee must have an approved IP that will continue beyond 7/2/09</p> <p>For program income balances that remain in an EZ revolving loan fund (RLF), the grantee must indicate whether it intends to continue operating the RLF after grant closeout.</p> <p>HUD will provide instructions regarding unspent program income as part of HUD's closeout review.</p>
10. HUD review of Round II EZ grant closeout documents	90 days following receipt of Closeout Transmittal Letter with Enclosures	<p>Upon receipt of the closeout package from the Grantee, HUD will review the documentation to determine if the EZ has submitted complete and acceptable documents, as outlined in items 9a through 9f, above.</p> <p>HUD will prepare a Grant Closeout Agreement for the grantee's signature following its analysis of the closeout package.</p>
11. Retain records regarding EZ grant funds and activities	3 years after the Grantee submits its final expenditure report	<p>The EZ must retain financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of at least 3 years after the end of the designation period, <u>EXCEPT that the records shall be retained beyond the 3 year period IF AUDIT FINDINGS HAVE NOT BEEN RESOLVED or if directed by HUD.</u> Records may be retained & submitted in electronic form.</p>

Additional Information and Resources to Guide Closeout:

- ◆ **24 CFR Part 85: Uniform Administrative Requirements for Grants to State and Local Governments**
- ◆ **24 CFR Part 598 Rules for Round II Empowerment Zone Designees**
- ◆ OMB Circular A-110
- ◆ OMB Circular A-122 (Cost Principles for Non-Profit Organizations);
- ◆ OMB Circular A-133 (Audit Requirements for Non-Profit Organizations);
- ◆ Chapter 5 of HUD Handbook No. 2210.17 REV 2, 5-13 (1992), *Discretionary Grant and Cooperative Agreement Policies and Procedures*, defining closeout as “the process by which HUD determines that all applicable administrative and project requirements have been completed by the recipient and HUD.”, available on the web at <http://www.hud.gov/offices/adm/hudclips/handbooks/admh/2210.17>.

RELATED REFERENCES:

- ✓ **Taxpayer Relief Act of 1997** [H.R. 2014, Public Law 105-34 {8/5/97} Subtitle F – Empowerment Zones, Enterprise Communities, Brownfields and Community Development Financial Institutions Section 952
- ✓ **Community Renewal Tax Relief Act of 2000**
- ✓ **National Defense Authorization Act of 1991**
- ✓ **EZ Program Regulations, 24 CFR Part 598**, amended December 14, 2007
- ✓ **Administrative Regulations, 24 CFR Part 85**
- ✓ **EZ Round II Program Income Guidance, September 2008**