



U.S. Department of Housing and Urban Development  
Community Planning and Development

Special Attention of:

All Regional Directors  
All Field Office Directors  
All CPD Division Directors  
All State CDBG Program Managers

**Notice:** CPD 16-08

Issued: April 29, 2016

Expires: This Notice remains in effect until amended, superseded, or rescinded.

Cross References: 24 CFR 570, Notice CPD-15-06

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**SUBJECT: Timely Distribution of State CDBG Funds**

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**I. Purpose**

This Notice replaces CPD Notice 15-06 and reiterates HUD’s policy and standards for the timely distribution of Community Development Block Grant (CDBG) funds by states. States administer the program and distribute the funds to units of general local governments (UGLGs) that carry out eligible activities benefiting low- and moderate-income people. The requirements allow states reasonable time to distribute funding while assuring that the funds are used as Congress intended.

This Notice also provides a summary report [**Attachment 1**] of the states’ performance in meeting the timely distribution requirements established by regulation for the 2014 annual grants. Because states each sign their grant agreements at different times

of the year, the 15-month timely distribution period for the Fiscal Year 2014 grants expired for the earliest grantees on September 3, 2015 and for the latest grantee on February 12, 2016. The State CDBG Program Report on Timely Distribution of FY 2014 Grants is included in Attachment 1. Timeliness for the 2015 grants will be reported in the next annual Notice.

## **II. Statutory and Regulatory Requirements**

Section 104(e)(2) the Housing and Community Development Act of 1974 (HCDA) includes the requirement that HUD determine “whether the state has distributed funds to units of general local government in a timely manner.”

The HUD regulation at 24 CFR 570.494 defines a state’s distribution of CDBG funds as timely if “all of the state's annual grant (excluding state administration) has been obligated and announced to units of general local government within 15 months of the state signing its grant agreement with HUD.” The regulation also encourages states to obligate and announce 95 percent of funds within 12 months of the state signing its grant agreement with HUD.

### **Definition:**

The term “obligated and announced to” refers to the date on which a state officially announces the selection and award of grants to its units of general local government by means of any official letter, press release, news media announcement, public notice, or official notice of award that the state may use to notify its localities and citizens that a grant has been awarded. This definition of “obligated” is not the same as a common business definition which establishes a legal duty for payment. For the purpose of this regulation, it is more appropriately classified as a “commitment” or “reservation” which provides for budgetary control of the grant funds.

The regulation at 24 CFR 570.494 is designed to assure that the portion of the annual grant that is to be distributed to UGLGs is done so in a timely manner. There are typically portions of the annual grant, or **adjustments** that would not be distributed to an UGLG.

- Administration costs are specifically excluded from the distribution requirement pursuant to 24 CFR 570.494. Under section 106(d) of the HCDA, states are authorized to use grant funds for the combined purposes of state administration and technical assistance, as well. This adjustment may be up to \$100,000 plus up to three percent of the grant amount.
- Section 108 Loans may result in adjustments to the amount distributed to UGLGs. Pursuant to 24 CFR 570.705(c), Community Development Block Grants may be used for:
  - Paying principal and interest due on the debt obligations guaranteed under the Section 108 program (including such issuance, servicing, and underwriting);
  - Defeating such debt obligations; and
  - Establishing debt service reserves as additional security.

- Pursuant to 24 CFR 570.496(b), any amounts subject to termination or reduction, following remedial actions, would not be available for distribution to UGLGs.

The regulation at 24 CFR 570.494 applies the timely distribution requirement only to the remaining grant funds following any of the above adjustments.

Program income and recaptured funds should not be combined with the annual grant funds when determining compliance with the regulatory requirement for timely distribution at 24 CFR 570.494(b)(1). However, pursuant to § 570.494(b)(2), recaptured funds and program income must also be expeditiously obligated and announced. Special attention should be directed to program income to ensure that an amount equal to the amount received is committed to UGLGs. This is a separate standard from the requirement at 24 CFR 570.494(b)(1) to distribute the annual grant funds in a timely manner.

Additionally, states may make a determination that a particular UGLG award should be rescinded or the UGLG may not accept the award for a variety of reasons, after the state initially complies with 24 CFR 570.494 in good faith. In such cases, the state must also expeditiously re-obligate and announce the available grant funds. Depending on a state's method of distribution of the grant funds, an amendment to the annual action plan may be necessary to expeditiously re-award such grant funds.

### **III. Required Actions by CPD Field Offices and Headquarters**

Requirements for HUD's reviews and audits of the State CDBG program at 24 CFR 570.493(a)(1) provide that HUD will review, at least annually, whether the state has distributed CDBG funds to UGLGs in a timely manner. Whenever HUD finds evidence that a program statute, regulation or requirement has been violated, it is required to make a finding. HUD Headquarters will review the timely distribution of State CDBG funds and report on these data annually via a CPD Notice or other issuance. In addition, HUD Headquarters will request information from field offices on findings issued and actions taken to address non-compliance. This information will be provided to the Office of Inspector General (OIG), the Government Accountability Office (GAO), or other parties, as requested.

#### **CPD Field Offices:**

Field Offices are responsible for reviewing state compliance with the requirement at 24 CFR 570.494(b)(1) for the timely distribution of its annual grant and the timely distribution of recaptured funds and program income as required at 24 CFR 570.494(b)(2).

Field Offices will review the total amount of annual grant funds obligated and announced to local recipients through the end of the 15-month period as reported by the

state on the HUD form 40108 [**Attachment 2**]. The Field Office will then send the HUD 40108 to the State and Small Cities Division (SSCD) in HUD Headquarters.

The CPD Representative may also use the *CDBG State Timely Awards of Funds Performance Report* (PR57) from the Integrated Disbursement and Information System (IDIS) to assist in the review. The PR57 report is a management tool to monitor grantee progress in assigning funding to activities in IDIS, which serves as an indicator of a state's progress towards obligating and announcing grant awards to participating units of general local government.<sup>1</sup>

Amounts from prior year allocations, recaptured funds and program income are not included in evaluating compliance with the timely distribution requirement under section 104(e)(2). Field Offices will continue to separately review the timely distribution of recaptured funds and program income as required at 24 CFR 570.494(b)(2). Field staff should review timely distribution of funds [including grant funds, recaptured funds and program income] as part of their annual review of the grantee's Performance and Evaluation Report (PER). Similar to the PR57, line 11 of the PR28 *State PER Financial Summary Report* represents the amount of the annual grant that has been added to activity funding with an adjustment made by the state to represent the full amount of the annual grant that has been obligated and announced.

Each state must meet the regulatory requirement for timely distribution at 24 CFR 570.494(b)(1). HUD is required to make a finding when a regulatory requirement has been violated. Within 45 days from the end of the 15-month period, the state shall submit the HUD 40108 to the Field Office. If the HUD 40108 does not demonstrate compliance with 24 CFR 570.494(b)(1), or the state does not submit the HUD 40108 within 45 days from the end of the 15-month period, the Field Office will issue a finding. Upon making a finding of noncompliance with the timely distribution requirement, the Field Office will send a letter to the state advising it of the finding and send a copy of the letter to the HUD Headquarters, State and Small Cities Division. When the finding is not part of an onsite monitoring see **Attachment 3** for a sample letter advising a state of a finding for failure to meet the timely distribution requirement. When the monitoring and finding is part of an onsite monitoring, see **Attachment 4**.

The required corrective action for findings of untimely distribution should be proportionate to the violation incurred. The Field Office will give the state an opportunity to contest the finding and will request a plan for corrective action. For lesser violations, where 99% or more of a state's grant has been distributed and the evidence suggests that

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<sup>1</sup> A finding will not be made on the sole basis of the PR57, because it has limitations: (A) The PR57 uses activity funding in IDIS as a proxy for obligations and announcements that would typically occur earlier, (B) The award date in IDIS is manually transcribed from the grant agreement; please refer to the original document for the date of a state's signature, (C) Common reporting mistakes will affect the report, such as state administration activities being entered as activity type code 21A instead of 21J [UGLG administration would be 21A, but only when not an activity delivery cost, i.e., part of the activity itself], and (D) grant funding may be revised at a later date due to an UGLG's non-acceptance of an award, or due to the replacement of grant funding with program income funding.

the remaining funds will be committed quickly, it may be appropriate for the Field Office to require no further action from the State.

A plan for corrective action should include:

- A procedural assessment that may contribute to a better understanding of factors causing or contributing to the symptom of untimely distribution,
- A description of how the state will distribute any outstanding balance within the current program year,
- A target date for full distribution of the remaining balance, and
- A description of how the state will comply with the timeliness requirement for future allocations.

Where appropriate, the Field Office may recommend how it wants the state to meet the timely distribution requirement by proposing specific timetables and procedures.

**The state must notify the Field Office that the corrective action has been implemented and submit a revised HUD 40108 demonstrating that all outstanding funds from the annual grant have been committed.** The Field Office must send notification to the State within 30 calendar days of the State's submission that the finding has been closed. See **Attachment 5** for a sample letter that closes the finding.

If the state's response or plan for corrective action is not satisfactory to HUD, the Field Office may take additional action as specified in 24 CFR 570.495. If the state fails to adequately respond to any corrective or remedial actions, the regulations at 24 CFR 570.496 provide for a hearing and the imposition of additional remedies including financial and civil actions. Such remedies may include reduction of one or more future grant allocations. Field Office records must document all findings, corrective actions, and resolution for review by the OIG and other oversight offices.

#### Headquarters:

The State and Small Cities Division (SSCD) in HUD Headquarters will review data from the Integrated Disbursement and Information System (IDIS), and send an email notification to the Field Office and state at least one month prior to the expiration of the state's 15-month timeliness period. A second email notification will be sent to the Field Office and state if SSCD has not received the HUD form 40108 by the expiration of the state's 15-month period. SSCD will follow up with Field Offices within 45 days after the expiration of the 15-month period to ensure that the Field Offices have verified that states have complied with the requirement or have issued findings for non-compliance with 24 CFR 570.494. SSCD will update this Notice as necessary, generate the attached summary report annually, and make it available through the Department's website.

## Grantees:

Each State CDBG grantee is required to submit the *State CDBG Timely Distribution of Grant Funds Report*, HUD form 40108, to HUD to report obligations and announcements of State CDBG funds within the timeliness period. If the HUD 40108 does not demonstrate compliance with 24 CFR 570.494(b)(1), or the state does not submit the HUD form 40108 within 45 days from the end of the 15-month period, the Field Office will issue a finding. The HUD Form 40108 with instructions is located in **Attachment 2**. If the Field Office makes a finding, the state will implement the required corrective actions.

## **IV. Grantees: Record Keeping and Reporting**

States are required to maintain records documenting their administration of CDBG funds [24 CFR 570.490(a)]. In order for HUD to determine if a state has distributed its funds in a timely manner, the Department must review information concerning the state's obligations. In addition, IDIS has automated the collection of timeliness data to help assess the progress of each grantee's timely distribution of its annual grant. Grantees can enter the *Date Funds Obligated and Announced* on the IDIS Activity *Edit CDBG Setup Detail (Page 1)*, and fund that activity with the same annual grant, to show that the state has distributed funds to units of local government within 15 months of the state signing its grant agreement with HUD. In addition, the state can use the *Report Parameters* IDIS screen for the PR28 *CDBG State PER Report* to enter an adjustment on line 10 to the amount *Obligated to recipients* on line 9, thus providing an adjusted total on line 11. This adjustment line allows states to report the actual amount of an annual grant that has been obligated and announced, similar to the HUD 40108, rather than just the amount of the annual grant added to activity funding in IDIS, similar to the PR57. **As a reminder, "obligated and announced" does not mean that grants have to be under contract or even funded in IDIS. The state must commit its funds publicly within 15 months of receiving its grant.** HUD may review the following elements documented in the state's internal records:

- Deduction claimed by the state for state administration of the grant.
- Deduction claimed by the state for technical assistance to local governments.
- Adjustments to the allocated amount, e.g.:
  - Section 108: Payments of principal and interest (including issuance, servicing, and underwriting); defeasance of such debt obligations; or establishment of debt service reserves as additional security.
  - Other approved adjustments.
- Total funds distributed (i.e., "obligated and announced") from the annual grant as of the date 15 months after the state signed the grant agreement. State records must identify distributions made from the annual grant allocation. Distributions from program income and recaptured funds must be identified separately as they are subject to a different timeliness standard.

**V. For Further Information**

Please contact Pamela Glekas, Director, State and Small Cities Division in the Office of Block Grant Assistance at (202) 708-1322, should you have any questions regarding this notice.

Attachments

## Attachment 1: State CDBG Program Report - Timely Distribution of FY 2014 Grant

State	Program Year Begins	2014 Grant Award Signed by State	15 Month Deadline	Total Grant Amount (\$)	Allowed Adjustments: Admin, TA & Sec. 108 (\$)	Awards Obligated & Announced By Deadline (\$ and (%))		Comments
AK	Jul	08/08/14	11/08/15	\$2,418,984	\$172,569	\$2,246,415	100.0%	in compliance
AL	Apr	06/27/14	09/27/15	\$22,212,610	\$766,378	\$21,446,232	100.0%	in compliance
AR	Jul	07/09/14	10/09/15	\$16,382,141	\$405,141	\$15,977,000	100.0%	in compliance
AZ	Jul	07/08/14	10/08/15	\$9,146,952	\$374,409	\$8,772,543	100.0%	in compliance
CA	Jul	08/05/14	11/04/15	\$29,529,712	\$985,891	\$28,543,821	100.0%	in compliance
CO	Apr	07/10/14	10/10/15	\$8,292,594	\$348,778	\$7,943,816	100.0%	in compliance
CT	Jul	09/08/14	11/25/15	\$11,958,150	\$458,744	\$11,499,406	100.0%	in compliance
DE	Jul	08/28/14	11/28/15	\$1,931,385	\$157,941	\$1,773,444	100.0%	in compliance
FL	Jul	08/07/14	11/07/15	\$24,130,014	\$823,900	\$23,306,114	100.0%	in compliance
GA	Jul	07/24/14	10/24/15	\$36,929,936	\$1,393,561	\$35,536,375	100.0%	in compliance
IA	Jan	06/25/14	09/25/15	\$21,613,307	\$748,399	\$20,864,908	100.0%	in compliance
ID	Apr	07/31/14	10/31/15	\$7,836,408	\$335,092	\$7,501,316	100.0%	in compliance
IL	Jan	09/03/14	12/03/15	\$26,542,147	\$896,264	\$25,645,883	100.0%	in compliance
IN	Jul	07/25/14	10/25/15	\$28,023,644	\$940,709	\$27,082,935	100.0%	in compliance
KS	Jan	07/21/14	10/21/15	\$13,842,065	\$515,262	\$13,326,803	100.0%	in compliance
KY	Jul	07/25/14	10/25/15	\$23,581,426	\$807,443	\$22,773,983	100.0%	in compliance
LA	Apr	08/20/14	11/20/15	\$20,491,516	\$714,746	\$19,776,770	100.0%	in compliance
MA	Apr	06/03/14	09/03/15	\$29,285,932	\$1,308,578	\$27,977,354	100.0%	in compliance
MD	Jul	07/11/14	10/11/15	\$7,113,827	\$313,415	\$6,800,412	100.0%	in compliance
ME	Jan	07/15/14	09/24/15	\$10,936,483	\$428,093	\$10,508,390	100.0%	in compliance
MI	Jul	08/14/14	11/14/15	\$31,054,178	\$1,031,625	\$30,022,553	100.0%	in compliance
MN	Oct	06/06/14	09/09/15	\$17,158,792	\$443,176	\$16,715,616	100.0%	in compliance
MO	Apr	08/11/14	11/11/15	\$20,771,388	\$723,142	\$20,048,246	100.0%	in compliance
MS	Jul	07/25/14	10/25/15	\$23,486,071	\$780,000	\$22,706,071	100.0%	in compliance
MT	Apr	06/24/14	09/24/15	\$5,847,967	\$275,439	\$5,572,528	100.0%	in compliance
NC	Jan	07/09/14	10/09/15	\$43,513,865	\$1,375,000	\$35,686,366	84.7%	Finding made and cleared
ND	Apr	06/24/14	09/24/15	\$3,658,596	\$209,756	\$3,448,840	100.0%	in compliance
NE	Jul	07/29/14	10/29/15	\$10,348,471	\$410,454	\$9,938,017	100.0%	in compliance
NH	Jan	08/11/14	11/01/15	\$8,073,617	\$342,208	\$7,731,409	100.0%	in compliance
NJ	Jul	10/06/14	01/06/16	\$5,965,982	\$278,980	\$5,687,002	100.0%	in compliance
NM	Jan	07/21/14	10/21/15	\$9,016,371	\$370,491	\$8,645,880	100.0%	in compliance
NV	Jul	07/28/14	10/28/15	\$2,385,994	\$171,580	\$2,214,414	100.0%	in compliance
NY	Jan	07/28/14	10/28/15	\$41,865,858	\$1,807,938	\$40,057,920	100.0%	in compliance
OH	Jul	07/31/14	11/06/15	\$41,831,537	\$978,052	\$40,853,485	100.0%	in compliance
OK	Apr	06/19/14	09/19/15	\$13,115,124	\$493,453	\$12,621,671	100.0%	in compliance
OR	Jan	06/03/14	09/03/15	\$11,914,018	\$457,420	\$11,456,598	100.0%	in compliance
PA	Jan	11/12/14	02/12/16	\$38,158,835	\$763,176	\$37,395,659	100.0%	in compliance
PR	Jul	08/06/14	11/06/15	\$26,111,449	\$783,343	\$25,328,106	100.0%	in compliance
RI	Jul	09/25/14	12/25/15	\$4,924,053	\$247,722	\$4,676,331	100.0%	in compliance
SC	Apr	06/10/14	09/06/15	\$19,295,365	\$678,860	\$18,616,505	100.0%	in compliance
SD	Jan	06/10/14	09/10/15	\$5,256,625	\$257,695	\$4,998,930	100.0%	in compliance
TN	Jul	07/25/14	10/25/15	\$25,160,023	\$854,800	\$24,305,223	100.0%	in compliance
TX	Feb	07/28/14	10/28/15	\$61,494,579	\$1,944,837	\$59,549,742	100.0%	in compliance
UT	Apr	07/15/14	10/15/15	\$4,398,980	\$231,969	\$4,167,011	100.0%	in compliance



VA	Jul	08/04/15	11/04/15	\$16,787,142	\$503,614	\$16,039,350	98.5%	Finding made and cleared
VT	Jul	09/02/14	12/02/15	\$6,469,008	\$294,070	\$6,174,938	100.0%	in compliance
WA	Jan	07/11/14	10/11/15	\$11,195,184	\$435,853	\$10,759,328	100.0%	in compliance
WI	Apr	07/06/14	10/06/15	\$24,646,683	\$839,400	\$23,807,283	100.0%	in compliance
WV	Jul	08/20/14	11/20/15	\$12,831,207	\$484,936	\$12,346,271	100.0%	in compliance
WY	Jan	09/29/14	12/29/15	\$2,714,254	\$181,428	\$2,532,826	100.0%	in compliance

Attachment 2: HUD 40108

**State CDBG  
Timely Distribution of  
Grant Funds Report**

**Department of Housing and Urban  
Development  
Office of Community Planning and  
Development**

OMB No: 2506-0085  
exp. (05/31/2017)

	<b>Grant Allocation</b> Subject to 24 CFR 570.494(b)(1)		
1	State		
2	FY		
3	Grant #		
4	Date signed by State		
5	Timeliness compliance date: (date signed + 15 months)		
6	Grant Amount		
7	Admin deduction (NTE \$100,000 + 3% of grant)		
8	TA deduction (NTE 3% of grant)		
9	Total Admin/TA deduction (NTE \$100,000 + 3% of grant)		
10	Expected distribution from annual grant		
11	Adjustments (attach explanation)		
12	Available distribution from annual grant		
13	Amt Obligated & anncd at 15 mos <i>Do <b>not</b> include PI or Recaptures</i>		
14	% obligated & anncd at 15 mos		

<b>Listing of grant awards and amounts (Optional):</b>			
<b>Grantee (Local Govt.)</b>	<b>Grant Amount</b>	<b>Date Obligated / Announced</b>	<b>Grant Number</b>
<b>TOTAL</b>	<b>\$ -</b>		

**Distribution of State CDBG Funds**  
**Timeliness Compliance Report Instructions**

- **State:** State name or abbreviation.
- **FY:** Fiscal year of the federal appropriation that funds the grant.
- **Grant #:** Program grant number e.g., B-11-DC-##0001 where “B” indicates the CDBG program, “11” is the fiscal year, “DC” indicates the allocation for states’ use in nonentitlement areas, “##” is a code identification number for the state, and “0001” is the number of the grant.
  
- **Date Signed by State:** Date the grant agreement was signed by the state. This date marks the beginning of the 15-month period for timely distribution.
  
- **Timeliness Compliance Date:** This is the date 15 months after the date the grant agreement was signed by the state.
  
- **Grant Amount:** The amount of the state’s allocation of CDBG funds for this grant.
  
- **Admin Deduction:** The state may use \$100,000 plus up to 3% of the grant for state administration and must match the percentage allowance dollar for dollar. This line shows the actual amount claimed for state administration.
  
- **TA Deduction:** The state may use up to 3% of the grant for technical assistance to local governments, no state match is required. This line shows the actual amount claimed for technical assistance.
  
- **Total Admin/TA Deduction:** This is the total of the previous 2 lines. Note that the percentage allowance for State Administration and for Technical Assistance is a combined allowance for both functions, not a separate allowance for each. The state decides how to allocate the total 3% allowance. The total entered on this line may not exceed \$100,000 plus 3% of the grant.
  
- **Expected Distribution:** This equals the Grant Amount less the Total Admin/TA deduction claimed by the state. This is the amount of the annual allocation expected to be available for distribution to its local governments.
  
- **Adjustments:** The state may make certain additional adjustments in the amount of funds it distributes to local governments from its annual allocation. These may include Section 108 loan guarantee repayments and/or a 3% allowance for state administration and technical assistance associated with program income retained by units of local government. Any adjustments claimed on this line must be supported by an attached explanation justifying the adjustment in detail.

- **Available Distribution:** This equals the Expected Distribution less Adjustments claimed on the previous line. This is the amount of the annual allocation required to be distributed to the state's local governments.
- **Amount Obligated & Annncd (at 15 months):** This is the amount which the state has actually obligated and announced to its units of general local government as of the 15-month timeliness target date. To be compliant, it should equal the amount of the "Available Distribution" on the previous line. This amount should include only awards from the original grant allocation. Do not include awards from program income or recaptured funds.
- **% Obligated & Annncd (at 15 months):** This is the percentage of the "Amount Obligated and Annncd" divided by the "Adjusted Grant Amount". To be compliant, this entry should equal 100%.

Privacy Statement: Public Law 97-255, Financial Integrity Act, 31 U.S.C. 3512, authorizes the Department of Housing and Urban Development (HUD) to collect all the information (except the Social Security Number (SSN)) which will be used by HUD to protect disbursement data from fraudulent actions. The purpose of the data is to safeguard HUD form 40108. While the provision of the SSN is voluntary, HUD uses it as a unique identifier for safeguarding HUD form 40108. This information will not be otherwise disclosed or released outside of HUD, except as permitted or required by law.

**Attachment 3**

**Sample Letter – Notice of Finding (NOT part of Monitoring Visit)**

MONTH DAY, YEAR

NAME  
TITLE  
DEPARTMENT  
ADDRESS

SUBJECT: Finding of Noncompliance Relating to Timely Distribution of FY 20## State Community Development Block Grant (CDBG) Funds

Dear Mr./ Ms. Name:

We have completed a review of the State's distribution of State CDBG funds for Fiscal Year 20##. Section 24 CFR 570.494(b)(1) of the CDBG regulations requires a state to obligate and publicly announce to units of general local government the state's annual grant within 15 months of the state signing its grant agreement with HUD. According to the State's CDBG timeliness report dated MONTH DAY, YEAR, the State did not meet the timely distribution of funds requirement. Therefore, we are issuing a finding as outlined in the enclosed document. Please provide a written response to our office within 30 days of the date of this letter. Your response may either contest the finding or provide the State's plan for corrective action. If further information is necessary regarding this letter, please contact NAME, TITLE, PHONE, EMAIL.

Sincerely,

NAME  
Director, Community Planning and Development

Enclosure

**Description of Finding of noncompliance with the timely distribution requirement:**

**Finding:** The state failed to distribute 100% of its 20## Community Development Block Grant (CDBG) funds within 15 months [less any allowable adjustments].

**Condition:** State records show that the state obligated and publicly announced to local governments a total of \$#,###,###.##. The state's 20## award, less any allowable adjustments, was recorded as totaling \$#,###,###.##. Based upon these figures, the state was not timely in its distribution of CDBG funding. Only ##.##% of the funds available were obligated and announced to units of general local governments.

**Criteria:** The regulations at 24 CFR 570.494(b)(1) establish that a state's distribution of CDBG funds is timely if all of the state's annual grant (excluding state administration) has been obligated and announced to units of general local government within 15 months of the state signing its grant agreement with HUD. Annual Notices, including CPD Notice ##-##, have provided further clarification to say that other adjustments are also permitted, in addition to state administration.

**Cause:** The problem was caused by [PROVIDE ADDITIONAL EXPLANATION and ensure that some aspect of the Corrective Action identified below is directly responsive to Cause]

**Effect:** Failing to distribute State CDBG funds in a timely manner results in delays in program benefits to eligible low-and moderate-income beneficiaries.

**Required Corrective Action:** To clear this finding, within 30 days of the date of this letter, the state must:

- a. Review its current program management system(s) to determine whether the State needs to assign experienced staff to oversee the review process to ensure that its staff is able to comply with the timely distribution requirement.
- b. Promptly evaluate the current process for reviewing funding proposals and preparing contracts and establish application and contract execution deadlines.
- c. Based upon this analysis, provide a written plan describing how the State will obligate and announce the remaining ##.##% in FY 20## grant funds, as well as describe any procedural changes that the State will make to assure that future allocations of CDBG funds will be distributed in a timely manner. The State must provide the date that the remaining FY ## grant funds will be obligated and announced.
- d. Upon fully obligating and announcing the FY## grant funds, the state will notify the Field Office that the corrective action has been implemented and submit a revised HUD 40108 demonstrating compliance.

**Attachment 4**

**Sample Letter – Notice of Finding (Issued After Monitoring Visit)**

MONTH DAY, YEAR

NAME  
TITLE  
DEPARTMENT  
ADDRESS

SUBJECT: On-Site Monitoring Review, DATES, State Community Development Block Grant (CDBG) Program Grant #: B-##-DC-##-0001

Dear Mr./ Ms. NAME:

This letter transmits the report from our office's on-site monitoring review of the FY 20## State CDBG program. HUD's objective was to evaluate the timeliness of the State's CDBG performance. We sincerely appreciate the cooperation and assistance that staff provided during the course of the review.

Our report contains one finding. A finding is a deficiency in program performance based on a statutory, regulatory, or program requirement. A summary of the results is included in the attached monitoring report. Please provide a written response to this finding within 30 days of the date of this letter. Your response may either contest the finding or provide the State's plan for corrective action. If you would like to discuss any of the report's conclusions, please contact NAME, TITLE, PHONE, EMAIL.

Sincerely,

NAME  
Director, Community Planning and Development

Enclosure



**Description of Finding of noncompliance with the timely distribution requirement:**

**Finding:** The state failed to distribute 100% of its 20## Community Development Block Grant (CDBG) funds within 15 months [less any allowable adjustments].

**Condition:** State records show that the state obligated and publicly announced to local governments a total of \$#,###,###.##. The state's 20## award, less any allowable adjustments, was recorded as totaling \$#,###,###.##. Based upon these figures, the state was not timely in its distribution of CDBG funding. Only ##.##% of the funds available were obligated and announced to units of general local governments.

**Criteria:** The regulations at 24 CFR 570.494(b)(1) establish that a state's distribution of CDBG funds is timely if all of the state's annual grant (excluding state administration) has been obligated and announced to units of general local government within 15 months of the state signing its grant agreement with HUD. Annual Notices, including CPD Notice ##-##, have provided further clarification to say that other adjustments are also permitted, in addition to state administration.

**Cause:** The problem was caused by [PROVIDE ADDITIONAL EXPLANATION and ensure that some aspect of the Corrective Action identified below is directly responsive to Cause]

**Effect:** Failing to distribute State CDBG funds in a timely manner results in delays in program benefits to eligible low-and moderate-income beneficiaries.

**Required Corrective Action:** To clear this finding, within 30 days of the date of this letter, the state must:

- a. Review its current program management system(s) to determine whether the State needs to assign experienced staff to oversee the review process to ensure that its staff is able to comply with the timely distribution requirement.
- b. Promptly evaluate the current process for reviewing funding proposals and preparing contracts and establish application and contract execution deadlines.
- c. Based upon this analysis, provide a written plan describing how the State will obligate and announce the remaining #.##% in FY 20## grant funds, as well as describe any procedural changes that the State will make to assure that future allocations of CDBG funds will be distributed in a timely manner. The State must provide the date that the remaining FY ## grant funds will be obligated and announced.
- d. Upon fully obligating and announcing the FY## grant funds, the state will notify the Field Office that the corrective action has been implemented and submit a revised HUD 40108 demonstrating compliance.

**Attachment 5**

**Sample Letter – Notice of Closing Finding**

MONTH DAY, YEAR

NAME  
TITLE  
DEPARTMENT  
ADDRESS

**SUBJECT:** Closing of Finding of Noncompliance Relating to Timely Distribution of FY 20## State Community Development Block Grant (CDBG) Funds

Dear Mr./ Ms. NAME:

Thank you for the DATE letter and documentation demonstrating that the State obligated the remaining FY 20## funds and implemented the required corrective actions. In response to the corrective actions executed by your office, HUD has determined that the finding below is cleared and closed.

**FINDING:** The State failed to distribute 100% of its 20## Community Development Block Grant (CDBG) funds within 15 months.

**STATE ACTIONS:** The State provided a written plan on DATE for fully obligating and announcing the FY 20## funding, as well as a description of the process the State is taking to fully obligate future allocations. Subsequently, on DATE, the State provided notification to HUD that the corrective action has been implemented and submitted a revised HUD 40108 demonstrating compliance. Therefore, the State's actions are sufficient to close this finding.

We thank the State for diligently resolving this finding. If we may be of further assistance, please contact NAME, TITLE, PHONE, EMAIL.

Sincerely,

NAME  
Director, Community Planning and Development