
CHAPTER 4 REVIEW FOR PROGRAM REVISION

4-1. INTRODUCTION.

- a. This Chapter covers the review of the grantee's program to determine whether new projects or activities added through local amendment are eligible, whether the grantee has apparently exceeded the 20% limitation on expenditures for planning and administrative costs for Fiscal Year 1979 and later programs, and whether the grantee's program shows apparent waste or mismanagement.
- b. The following reviews are described in this Chapter:
 - (1) Review of New Projects or Activities;
 - (2) Review of Planning and Administration; and
 - (3) Review for Potential Waste and Mismanagement.

4-2. REVIEW OF NEW PROJECTS OR ACTIVITIES.

- a. General. The instructions for the preparation of the GPR Project Progress form, HUD 4950.2, stipulate that new projects not approved in the original CDBG application (or in a HUD approved amendment) should have the letter C/LO placed in column (a) of that form, to indicate any new projects funded with contingency/local options funds, or the word "AMENDED" should be placed in that column to indicate a new project created by local amendment. The instructions to that form also inform the grantee to list any new component activities added to a previously approved project below all of the component activities approved in the grant application in the chronological order of their addition to the project.
- b. Scope of Review. All newly created projects or component activities should be reviewed to ensure that such projects or activities meet the "Maximum Feasible Priority" criteria, of 24 CFR 570.302 (see Chapter 5 of this Handbook, for that review) and to ensure that the new projects and activities meet the eligibility criteria of 24 CFR 570 subpart C.
- c. Conducting the Review for Eligibility.
 - (1) Review Worksheet. The reviewer should complete the worksheet contained in Exhibit 4a. at the end of this Chapter.

(2) New Projects.

(a) The reviewer should analyze each CDBG program year reported on in the Project Progress forms, HUD 4950.2, to determine which new projects have been added to the program through contingency/local option (identified by "C/LO") or through local amendment (identified by "AMENDED"). The reviewer should enter the project name/number on the worksheet of each such newly created project.

(b) Each component activity contained in a new project, identified from (a) above, should be reviewed for basic eligibility against the requirements of 24 CFR 570 Subpart C. The reviewer should enter the name, total estimated cost (column d) and total expended for each component activity identified (column e) as apparently ineligible. The reviewer should also provide a brief explanation as to the reason for the activity's apparent ineligibility. (Note that the reviewer should also refer back to HUD Handbook 6503.1 Chapter 4 for additional advice regarding the review of CDBG funded activities for eligibility).

(3) Previously Approved Projects. The reviewer should analyze the component activities listed under the previously approved projects and identify any new component activities which the grantee has added to those projects. Each new component activity should be reviewed for basic eligibility pursuant to 24 CFR 570 Subpart C. The reviewer should list each new component activity identified as ineligible on the worksheet. The reviewer should also provide the project name/number for the component activity, total estimated cost (column d) of the activity, the amount expended (column e) for the component activity and a brief explanation of the reason for the activity's apparent ineligibility.

(4) New Projects not Identified. Any new project not identified by "C/LO" or "AMENDED" or a component activity which cannot be correlated back to the approved application should be treated as a local amendment and reviewed for eligibility as described above.

d. Notification to Grantee of Apparently Unsatisfactory Program Revision.

(1) If the reviewer has determined that the grantee has carried out new projects or activities which do not appear to meet the eligibility criteria pursuant to 24 CFR 570 Subpart C, the

grantee should be advised of this determination and the basis for this determination. The grantee should be advised of any additional information the Area Office might need to clarify the GPR review determination. The grantee should also be advised that an ultimate determination of ineligibility of the project or activity in question could affect the Department's allowance of Block Grant funds already expended or to be expended for an ineligible project or activity.

- (2) The Area Office shall follow the general notification procedures described in Chapter 11 of this Handbook.

4-3. REVIEW OF PLANNING AND ADMINISTRATION.

- a. Introduction. The HUD Appropriations Act for Fiscal Year 1979, placed a 20 percent ceiling on expenditures for planning and administrative costs. When the Area Office reviewed 1979 and later CDBG Entitlement applications for this requirement, the reviewer ensured that the amount budgeted at that time for planning and administration did not exceed 20% of the total resources shown on line 9, part D of that Cost Summary form, HUD - 7067. This review will determine whether the grantee's current estimated costs for planning and administration exceeds the 20 percent ceiling.
- b. Conducting the Review. The reviewer should evaluate the Status of Funds Report form (HUD 4950.3) and the Project Progress form (HUD 4950.2) for each CDBG Entitlement grant funded from federal Fiscal Year 1979 funds or later. The reviewer should complete the review worksheet in Exhibit 4b found at the end of this Chapter.

- (1) Planning and Administrative Costs Improperly Classified

The reviewer should first analyze the "Project Summary" forms, HUD 4950.2, to determine if the grantee has erroneously included either "Planning and Urban Environmental Design Costs" or Administrative Cost" on these forms. If any such costs are identified (pursuant to the description of such activities at 24 CFR 570.205 or 570.206) the reviewer must determine whether or not the grantee has improperly included these costs as "Project Cost" line 4a of form HUD 4950.3. If they were improperly included on this line then the reviewer must adjust the amounts shown for Planning or Administration shown on the "Status of Funds Report" form, HUD 4950.3, before proceeding to step (2) below.

- (2) Calculation of 20% Limit. Determine if the sum of the "Total Estimated Cost" for Planning and Urban Environmental Design
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(line 5 of HUD Form 4950.3) plus the "Total Estimated Costs" for General Administration (line 6 of HUD form 4950.3) exceeds 20% of the Total amount (line 8) for that program year.

c. Notification to the Grantee.

- (1) If the reviewer has determined that the grantee has estimated Planning and Administrative Costs which exceed 20% of the program resources available for that program year (1979 or later) the Area Office shall advise the grantee that it has apparently exceeded the 20% limitation on Planning and Administrative Expenses. The grantee should also be advised that a finding that a grantee actually expended more than 20% of program year funds on Planning and Administration could affect the Department's allowance of such expenditures.
- (2) The Area Office shall follow the general notification procedures described in Chapter 11 of this Handbook.

4-4. REVIEW FOR POTENTIAL WASTE AND MISMANAGEMENT.

- a. General. While the CDBG Entitlement program was designed to provide local units of government with the maximum amount of local discretion and a minimum amount of federal direction in their day-to-day program administration, it is appropriate that the Department carry out oversight review responsibilities to ensure that there is no apparent waste or mismanagement in the administration of the program.
- b. Conducting the Review. The reviewer should evaluate the projects and activities reported on the Project Progress forms, HUD 4950.2 for each grant reported on in the GPR. The reviewer should note in the worksheet in Exhibit 4c at the end of this Chapter those projects and activities which exhibit the following characteristics:
 - (1) The component activity shows "Expenditures" in column (e) but no units produced in column (i) or, a component activity shows a large proportion of total funds as "Expenditures" in column (b) but shows a low proportion of units have been completed in column (i);
 - (2) In comparing the anticipated accomplishments provided in the approved application Project Summary, HUD 7066, item 12, the GPR shows that the grantee has:
 - (a) Significantly reduced the number of units to be produced

without revising the cost of the activity, or

(b) Significantly reduced the current estimated cost of the activity without reducing the anticipated number of units which can be produced;

- (3) The average estimated cost of each unit produced seems extremely high (compare columns e/i=cost per unit); or
- (4) Particular component activities show little or no increase in the number of units completed from one year's GPR to the next, even though the amounts for the Expenditures and Unliquidated Obligations increased.

c. Notification to the Grantee.

- (1) The scope of the review for potential waste and mismanagement is by its nature less conclusive about the grantee's performance than other areas of review covered by this Handbook. It is preferred that when an Area Office has identified a particular project or activity as showing potential waste and mismanagement the Area Office should monitor that project or activity before notification to the grantee of that GPR determination. Monitoring the project or activity will allow more substantive conclusions to be made about the nature of the activity.
- (2) If the Area Office will be unable to monitor the grantee for several months, the Area Office should notify the grantee of the review determinations and the basis for those determinations. The grantee should be advised to provide information about the nature of the activity and how it was administered and implemented by the grantee.
- (3) The Area Office's main objective in either case is to obtain a clear understanding of the situation which allows the Area Office to put the GPR review determination in its proper context.

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Exhibit 4c

GRANTEE PERFORMANCE REPORT: SUGGESTED REVIEW FOR
POTENTIAL WASTE AND MISMANAGEMENT

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