

CHAPTER 16. GRANT CLOSEOUT

16-1 INTRODUCTION. This chapter provides policy guidance and procedural instructions on how to close out grants under the Rental Rehabilitation Program as provided for at 24 CFR 511.77. These policies and procedures apply to all rental rehabilitation grants made under Section 17 of the United States Housing Act of 1937, as amended, including formula grants to cities, urban counties and States, and HUD-administered small cities grants.

- A. Timing. HUD has determined that it will closeout each individual fiscal year Rental Rehabilitation grant, even though the Department provides annual formula grants on an ongoing basis to the majority of program grantees. Closeout of each fiscal year's grant provides a systematic process for verifying that major program requirements have been met as specified by the program regulations at 24 CFR 511, on a fiscal year, grant-by-grant basis. Such requirements include benefitting lower income families and rehabilitating units containing multiple bedrooms for the benefit of large families have been achieved. Closeout of individual fiscal year grants is also a prudent management practice in light of regulatory time limits imposed on each grantee for expending fiscal year grant amounts. The program regulations at 24 CFR 511.33(c) provide that HUD will deobligate any rental rehabilitation grant amounts that are not expended for eligible rehabilitation costs within 4 years of receipt by the grantee (five years in the case of a State that distributes rental rehabilitation grant amounts to State recipients). The Field Office may grant an extension of these deadlines for up to 1 year (See Paragraph 10-4 of this Handbook.)

16-2 CRITERIA FOR CLOSEOUT. A grant shall be closed out when all of the following conditions have been met:

- A. All grant amounts have been drawn down by the grantee and expended for completed projects and/or administrative costs, or grant amounts not drawn down and expended for completed projects have been deobligated by HUD, and funds for the grant year being closed are no longer available for obligation.
- B. Project Completion Reports for all projects utilizing funds from the fiscal year grant to be closed out have been submitted and entered into the Rental

Rehabilitation Program's Cash and Management
Information (C/MI) System.

- C. The required reviews and audits to determine whether the grantee has satisfied the terms of its grant agreement have been made. Closeout is contingent upon the receipt of the grantee's most recent audit report. For closeout of the grant to proceed, the most recent audit report must be free of any outstanding findings related to the RRP grant to be closed. The audit(s) of the grantee should cover all funds from all fiscal years which are to be closed out except as noted below.
1. The Single Audit Act prohibits requiring a grantee to obtain an audit at its expense covering only the Rental Rehabilitation Program. HUD still has the authority to conduct an audit or to contract with an independent public accountant to conduct an audit of a grantee's program. However, HUD must pay for the audit.
 2. When the previous audit(s) fail to cover all grant funds under the grant agreement, the program may still be closed out, provided the grantee agrees in writing to remit to HUD any costs questioned by a subsequent audit that are disallowed by HUD. This procedure is expected to be used in those cases when both the grantee and HUD want to proceed with the close out before the next periodic single audit is conducted covering the remaining grant funds not already audited.
- D. The HUD Field Office has conducted an on-site monitoring of the grantee and has determined that the grantee's performance, with respect to the grant(s) to be closed out, is satisfactory and is in compliance with RRP statutory and regulatory requirements. The monitoring visit will also be used to verify C/MI System data reflected in the Closeout Report and to reconcile any outstanding discrepancies which may exist between C/MI System data and grantee records. HUD Regional and Field Office staff should also examine a sample of the C/MI System records to verify accuracy of data on unit size, etc. No grant may be closed where there exists outstanding monitoring findings or where a determination of compliance cannot be made, except as noted in Paragraph 16-2(E)(2) below.

- E. The grantee has complied with the Program's lower income and large family benefit requirements. Compliance is determined by assuring the percentages of each fiscal year grant expended for the benefit of lower income tenants (24 CFR 511.10(a)) and for rehabilitating units containing two or more bedrooms (24 CFR 511.10(b)) to meet or exceed the prescribed minimums specified in the regulations or such lower standard as has been approved by HUD. In instances where the grantee's lower-income benefit percentage is lower than 70 percent, the grantee's Project Completion Reports should be reviewed to ascertain if there are any vacant units. Since vacant units will count against lower-income benefit, it is critical that amended Project Completion Reports be submitted when vacant units are initially rented up. (Note: Revised reports are not to be submitted to report occupancy changes in units beyond the initial occupant.
1. C/MI Report A67RQBA, generated on a monthly basis, provides grantee performance results in meeting these two major program requirements for each fiscal year grant.
 2. If a determination of grantee compliance with these two major program requirements is not possible at the time HUD and the grantee wish to close out a grant, the grant may still be closed out provided the grantee agrees in writing to remit to HUD any costs disallowed through a subsequent determination of non-compliance with the provisions of 24 CFR 511.10(a) and/or 511.10(b).
- F. Submission of Annual Performance Report for all fiscal years. Where the grantee is closing out its entire RRP, the grantee must have submitted an Annual Performance Report (APR) along with the other requisite program documents on the current year's reporting period (9/1/xx - 8/31/xx) program activities. Other than current reporting period grant activities are to have been reported in prior year APR submissions.

16-3 PROCESS FOR GRANT CLOSEOUT. The Status of Project Funds Report (C/MI Report A67RSCA), transmitted to Field Offices on a monthly basis, notes those fiscal year grants that are available to be closed through the placement of a code letter "A" immediately to the left of the grant's fiscal year designation (See Exhibit 16-1). Once a Field Office, in consultation with the grantee, determines

it will close out a fiscal year grant, it will complete the following process:

- A. Generation of Closeout Report. Field offices generate closeout reports using the C/MI System (LOCCS) terminal located in each Field Office. Initiating a closeout report is accomplished by selecting option 1 on the C/MI System (LOCCS) Rental Rehabilitation Program Query Sub-Menu (See Exhibit 16-2). Selecting this option displays the "Generate Closeout Report" screen (See Exhibit 16-3). Entering the grant number of the fiscal year grant to be closed and pressing the key triggers a computer-performed series of edits designed to verify the availability of the grant to be closed. (For example, the computer will check to see that all necessary project completion reports have been entered). When all edits have verified the grant as available for closeout, a "Generate Closeout Report" screen will be displayed (See Exhibit 16-4). If the information on the screen is correct, press the key and the grant will be marked for generation of a closeout report. The Closeout Report will be sent the following business day by the HUD PRTSYM processor to the Field Office. The same procedure used to pick up the monthly Rental Rehabilitation reports should be used to pick up the Closeout Report. A sample Closeout Report is included as Exhibits 16-5 and 16-5a.
 1. Cancellation Request. If for any reason, the Field Office determines that the grant year for which a report was generated cannot be closed, it should notify the Rehabilitation Management Division at Headquarters. That office will cancel the request and return the grant to the "Available to Close" status.
- B. Transmittal of Closeout Report Copy to Grantee. Prior to conducting the final on-site monitoring visit to assure that the grantee has expended applicable fiscal year grant funds in conformance with RRP statutory and regulatory requirements, and to verify C/MI System data reflected in the Closeout Report, the Field Office should transmit a copy of the Closeout Report to the grantee for its review. Transmitting the report in advance of the monitoring visit will facilitate the resolution of any discrepancies which may exist between C/MI System data and grantee records.

- C. Determination that all Criteria for Closeout are Met. The HUD Field Office will assure that all criteria described in Paragraph 16-2 have been met for the grant to be closed out prior to transmitting the Closeout Report to the grantee for the grantee to certify to the accuracy of the Report.
- D. Grantee Certification of Closeout Report Accuracy. Once HUD verifies that all criteria for closeout of the grant have been met, it will send the grantee an original and four copies of the Closeout Report. Before HUD may approve the closeout of a grant, the grantee must certify that the information contained in the Closeout Report is accurate. That certification occurs when an authorized representative of the grantee signs and transmits the Closeout Report to the appropriate Field Office. The original and all four copies should be originally signed and returned to the Field Office. when the entire program is to be closed out, the grantee's final Annual Performance Report and an accounting of all program income earned and expended by the grantee should also be attached to the Closeout Report.
- E. Field Office Approval of Grant Closeout. The Field Office should complete its reviews, make any cost adjustments, and determine that all requirements for closeout have been satisfied within 90 days of receipt of all required documents. The Closeout Report, signed by the authorized grantee official, shall be co-signed by the Field Office Manager, or his or her designee. The grant will be considered officially closed out as of the date of Field Office approval.
- F. Distribution of Grant Closeout Approval Documents. The Field Office will retain the grantee's original Closeout Report (including all attachments or corrective amendments) for its official files. In addition to the Field Office official file copy, the Field Office is to forward one copy of each of the aforementioned documents to the grantee, the Regional Accounting Division (for informational purposes), the Regional Director for Community Planning and Development (for informational purposes), and to Headquarters, Attention: Rehabilitation Management Division, CPD Office of Urban Rehabilitation, 451 7th Street, S.W., Washington, DC 20410. Headquarters will then take the final action to close out the grant in the C/MI System.

- G. Recordkeeping Responsibilities. The Field office will keep all records concerning individual fiscal year closeouts for 3 years from the date of closeout. Each grantee shall maintain the records required under CFR 511 and this Handbook that clearly document its performance for a period of 3 years from the date of final closeout of the Rental Rehabilitation grant.
- H. Status of Grant During the Closeout Process. Until a fiscal year grant is "marked" for generation of a Closeout Report (See Paragraph 16-3.A.), a grantee may continue to conduct transactions through the C/MI System, including transactions involving grants that are coded as "available to close." However, once the computer edits verify a grant is indeed available to close, and the Field Office marks the grant for generation of a closeout report, any further ability to transact business related to the marked grant is suspended. The C/MI System (LOCCS) Grant Query Screen will at that point display "Closeout Report Generated" and the date in the status field. Should any data related to the grant need to be amended, an authorized Rental Rehabilitation Program Headquarters person can "reopen" the grant so that changes can be made and a new Closeout Report generated.
- I. Closing the grant. Once the closeout document has been signed by the Field Office, and the document is sent to Headquarters, authorized Rental Rehabilitation Headquarters personnel will close out the grant. The Grant Query Screen and Status of Funds Report will then reflect that the grant is closed. The Status of Project Funds Report (C/MI Report A67RSCA) will then show the letter "C" immediately to the left of the grant's fiscal year designation.
- J. Reimbursement of Disallowed costs. If the HUD Field Office determines that the grantee has not met the statutory/regulatory requirements of the program, it may require that the grantee pay back a portion of its grant as disallowed costs, or take other remedial action, as authorized by 24 CFR 511.82. For example, if (even after submission of amended reports to cover vacancy data) a grantee has achieved only a 60 percent lower income benefit, for any fiscal year, then it would normally be required to pay back 10 percent of its grant for that fiscal year. If the grant were for a total of \$100,000, for instance, the pay back would be \$10,000. NOTE: Since administrative funds are deemed to achieve the same

level of benefit as project funds, repayment is figured against the entire grant amount for the fiscal year being closed--not just the project funds. Since the time limit for commitment of these funds would have expired, such funds would be paid back to the U.S. Treasury and not to the grant. The Field Office would document its Close-Out file for that grantee for that year that the funds had been repaid and for what reason. (Instructions on how to repay funds are included in Chapter 11 of this Handbook.)

- K. Program Income. The RRP regulations at 24 CFR 511.76 require that grantees account for any program income when a Rental Rehabilitation Program is being closed out. This requirement pertains to grantees which have expended all grant funds for all available fiscal years and will no longer be participating in the program. Program income shall be treated in the following manner before and after program closeout:

1. Program income in the amount of \$5,000 or more shall be used for eligible activities under 24 CFR 511.76 which include:
 - a. Any activity eligible under 24 CFR 511 except for administrative costs, as described at 24 CFR 511.71 and Chapter 9 of this Handbook.
 - b. Rental assistance to lower income tenants as defined in 24 CFR 511.76(c)(2). This includes the use of program income to pay for administrative costs associated with the provision of rental assistance but not to exceed the amount allowed for administrative fees in the housing voucher program authorized under Section 8(o) of the United States Housing Act of 1937, 42 U.S.C. 1437f. In order to use program income for rental assistance, the grantee must:
 1. Use the funds to assist lower-income tenants who initially occupy properties rehabilitated with rental rehabilitation grant amounts or RRP program income;
 2. Have a written policy which is available to the public stating that program income will be so used and

specifying who is eligible to receive such assistance; and

3. Have an agreement with the PHA stating that the PHA will utilize the program income to provide rental assistance in accordance with the written policy.
2. Program income of less than \$5,000 on hand at program closeout or any program income received after program closeout is not subject to the other provisions of 24 CFR 511.76, but must be used for activities that would be eligible under the Community Development Block Grant Program (24 CFR 570) or under Paragraph 16-3.K.1. above.