

OFFICE OF AUDIT  
REGION 9  
LOS ANGELES, CA



**Office of Native American Programs  
Washington, DC**

**Indian Community Development Block Grant  
Grant Closeout**



Issue Date: August 19, 2014

Audit Report Number: 2014-LA-0006

TO: Rodger J. Boyd  
Deputy Assistant Secretary, Office of Native American Programs, PN

FROM: //SIGNED//  
Tanya E. Schulze  
Regional Inspector General for Audit, Los Angeles Region, 9DGA

SUBJECT: HUD's ONAP Lacked Adequate Controls Over the ICDBG Closeout Process

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of HUD's Office of Native American Programs' Indian Community Development Block Grant closeout process.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 213-534-2471.



August 19, 2014

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## HUD's ONAP Lacked Adequate Controls Over the ICDBG Closeout Process

# Highlights

Audit Report 2014-LA-0006

### What We Audited and Why

We audited the U.S. Department of Housing and Urban Development's (HUD) Office of Native American Programs' (ONAP) Indian Community Development Block Grant (ICDBG) program grant closeout process based on data received from Southwest ONAP and additional analysis that raised concerns regarding ONAP's oversight of the grant closeout process. Our objective was to determine whether ONAP had adequate controls to ensure the timely closeout of program grants.

### What We Found

HUD's ONAP did not have adequate controls over the ICDBG closeout process. Specifically, ONAP lacked written policies and procedures for management's oversight to ensure that closeout data were accurately tracked and grants were closed in a timely manner. This condition occurred because ONAP did not focus on grant closeouts as a priority and did not design sufficient oversight procedures to consistently monitor grant closeout eligibility. As a result, ONAP did not always initiate timely follow-up action to determine grant closeout eligibility, and management lacked sufficient tracking data to efficiently monitor grant closeouts.

### What We Recommend

We recommend that the Deputy Assistant Secretary for the Office of Native American Programs (1) develop and implement policies and procedures for management's oversight of the ICDBG closeout process, resulting in nearly \$4 million in funds being put to better use; (2) review the Performance Tracking Database (PTD) and identify and correct inaccurate or missing data; and (3) consider enhancing the PTD to track the current status of ONAP follow-up actions for grants that appear to be overdue for closeout.

We reviewed a sample of 58 grants awarded during the audit period from 2007 through 2012 and found that ONAP did not take timely follow-up action to address indications of closeout eligibility for 18 grants totaling \$13.1 million. At the time of our audit, four of these grants totaling nearly \$4 million were eligible for closeout yet remained open without timely follow-up action to pursue grant closeout. Further, ONAP's PTD reported erroneous data related to grant closeouts for 24 of the 58 sample grants totaling \$14.8 million.

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## **BACKGROUND AND OBJECTIVE**

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The U.S. Department of Housing and Urban Development's (HUD) Office of Native American programs (ONAP) administers housing and community development programs for the benefit of American Indians and Alaska Native governments, tribal members, the Department of Hawaiian Home Lands, and Native Hawaiian and other Native American organizations. ONAP's mission is to increase the supply of safe, decent, and affordable housing to Native American families; strengthen communities by improving living conditions and creating economic opportunities for tribes and Indian housing residents; and ensure fiscal integrity in the operation of the program it administers.

Under Section 106 of the Housing and Community Development Act of 1974, 1 percent of the Title I Community Development Block Grant appropriation is allocated for grants to Indian tribes. The Indian Community Development Block Grant (ICDBG) funds are distributed by the area ONAP offices to Indian tribes and Alaska Native villages competitively, based on selection criteria set forth in the notice of funding availability. ICDBG provides single-purpose grants to eligible grantees for housing rehabilitation, land acquisition, community facilities, infrastructure construction, and economic development activities that benefit primarily low- and moderate-income persons.

This program is administered by the six ONAP offices, with policy development and oversight provided by the Denver National Program Office of ONAP. Each ONAP office is responsible for a geographic jurisdiction that includes from 26 to more than 200 eligible applicants.



ONAP is required to ensure that closeout procedures are performed after ICDBG activities are completed. Closeout procedures include submission of final financial and performance reports, execution of closeout agreements, and cancellation of remaining grant funds. ONAP uses its

Performance Tracking Database (PTD) as a tool to monitor the status of its grants, including grant closeout eligibility. The PTD includes functionality to track planned project completion dates and funding amounts drawn for each grant. ONAP considers untimely grant closeouts as part of its competitive grant award rating process, thereby impacting the rating and future funding of grantees that fail to close out grants in a timely manner.

Our objective was to determine whether ONAP had adequate controls to ensure the timely closeout of program grants.

## **RESULTS OF AUDIT**

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### **Finding: HUD's ONAP Lacked Adequate Controls Over the ICDBG Closeout Process**

HUD's ONAP had not implemented consistent and effective policies and procedures for management's oversight of the ICDBG closeout process to ensure that grants were tracked and closed in a timely manner. Additionally, ONAP's PTD was not always reliable and did not track the status of grants that appeared to be overdue for closeout. This condition occurred because ONAP previously did not prioritize grant closeouts and did not design sufficient oversight procedures to consistently monitor grant closeout eligibility. As a result, four of these grants totaling nearly \$4 million were eligible for closeout yet remained open because ONAP did not always initiate timely follow-up action to determine grant closeout eligibility and management lacked sufficient tracking data to efficiently monitor grant closeouts.

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#### **ONAP Lacked Written Policies and Procedures for Management's Oversight**

ONAP did not have written policies and procedures establishing minimum requirements for management's oversight of the ICDBG closeout process. Regulations at 24 CFR (Code of Federal Regulations) 1003.508<sup>1</sup> require that program grants be closed out when the area ONAP determines, in consultation with the grantee, that all costs have been incurred and required grant activities are complete. ONAP's ICDBG Grants Management Business Process Manual<sup>2</sup> states it is recommended that ONAP area office staff should review grants for closeout eligibility biannually and take the following actions:

- (1) Initiate closing documents for all grants with 100 percent drawn down.
- (2) Contact all tribes with grants that are 5 years old or older to determine whether the remaining funds are going to be drawn down or closing documents should be initiated, and
- (3) Contact all tribes with grants that are less than 5 years old and have a 95 percent or greater drawdown but no account activity within the last year to determine whether the remaining funds are going to be drawn down or closing documents should be initiated.

While these policies appeared adequate for staff-level follow-up regarding grant closeout, ONAP did not have written policies and procedures or minimum standards for management's oversight to ensure that these procedures were

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<sup>1</sup> See appendix D.

<sup>2</sup> Chapter 12 of ICDBG Grants Management Business Process Manual, sections 12.1.1 and 12.3 (appendix D)

followed. ONAP managers at the area offices indicated that they periodically performed various procedures to identify grants that were overdue for closeout, such as reviewing PTD reports or reviewing grantees' annual status reports; however, these procedures were not consistent among the field offices and were not always effective. For example, at least one ONAP area office experienced a significant backlog of overdue grant closeouts, including more than 200 overdue grants. ONAP management had taken steps within the past year to address this backlog yet had not implemented adequate controls to monitor grant closeouts and ensure that this problem did not recur. Our review performed on a sample of current grants, as discussed below, identified persistent discrepancies for some grants that were not addressed, indicating that management's reviews were not always performed as planned or were not effective.

### ONAP Did Not Always Close Out Program Grants in a Timely Manner

To evaluate whether ONAP provided adequate oversight of the grant closeout process, we selected a targeted sample of 58 program grants awarded for program years 2007 through 2012.<sup>3</sup> For 18 of the 58 grants, a significant period had elapsed after the planned closeout date or final draw date, and ONAP did not have documentation demonstrating that it took timely follow-up action to determine the grant status and pursue closeout. The period without follow-up action for these cases ranged from 181 to 1,438 days and averaged at least 555 days.<sup>4</sup> At the time of our audit, four of these grants totaling nearly \$4 million were eligible for closeout yet remained open without timely follow-up action to pursue grant closeout.

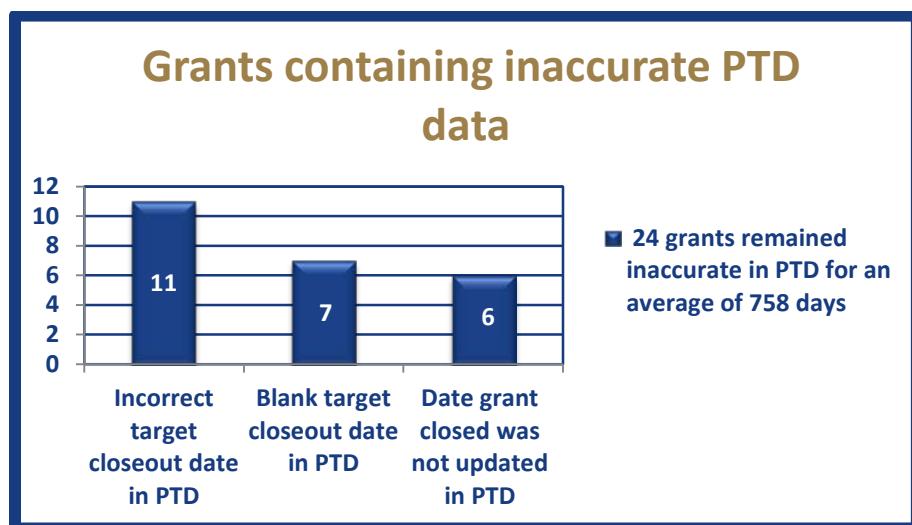


<sup>3</sup> See Scope and Methodology for a detailed explanation of the sample selection.

<sup>4</sup> We calculated the number of days without follow-up or corrective action as of November 7, 2013, the date we obtained the PTD from ONAP. Therefore, the deficiencies persisted for at least the period reported and may have persisted longer than reported.

## ONAP's PTD Was Not Always Reliable

ONAP's PTD included erroneous or missing data related to grant closeouts and, therefore, was limited in its ability to serve as an effective control. The PTD included inaccurate data that had persisted for years, despite the planned periodic reviews by ONAP area office management. For example, of the 58 grants selected for our audit sample, 24 grants totaling more than \$14.8 million included inaccurate PTD closeout or target closeout dates. For these cases, the inaccurate data remained uncorrected for an average of 758 days.<sup>3</sup> Eleven of the grants had incorrect target closeout dates, six grants were already closed yet the closeout date had not been entered into the PTD , and seven grants reported blank target closeout dates.



Further, 28 additional grants<sup>5</sup> not included in the audit sample with grant amounts totaling \$15.7 million reported blank target closeout dates in the PTD.

Additionally, ONAP's PTD reporting functions were not always reliable. We reviewed five PTD reports related to grant closeout oversight that were included as part of the standard database interface and were available for use by ONAP managers. The reports included a total of 686 duplicate records, 62 inaccurate records, 2 missing records, and 223 nonessential records. This condition occurred because the queries used to generate the reports were not properly designed. For example, in some cases fields were incorrectly calculated and records were not correctly grouped when attempting to summarize records for single grants. ONAP could enhance the usefulness of its reports and increase the efficiency of

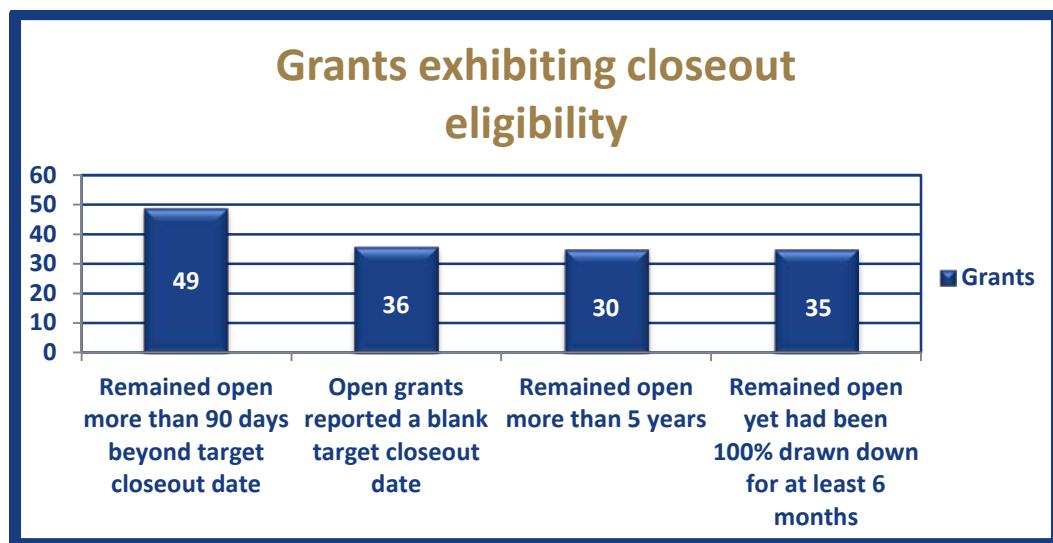
<sup>5</sup> The 28 grants were identified within the universe of grants reviewed for the audit sample. As stated in the scope and methodology section, this included a total of 272 open grants totaling more than \$208.8 million.

its controls over grant closeouts by correcting the deficiencies within the PTD reports related to the ICDBG closeout process.

### **ONAP's PTD Did Not Track the Status of Grants That Appeared To Be Overdue for Closeout**

The PTD did not include sufficient information that ONAP headquarters, ONAP area office management, or auditors could use to readily determine which grants were overdue for closeout and whether appropriate follow-up action was being pursued for these cases. For example, the PTD did not include a field indicating whether ONAP had taken action to determine the grants' closeout eligibility.

Our review of the PTD identified a significant number of grants that exhibited indications of closeout eligibility; however, the PTD did not include information to document the status of these grants and whether ONAP had taken action to address the possible overdue grant closeout. For example, 49 grants remained open more than 90 days past the target closeout date, 36 open grants reported blank target closeout dates, 30 grants remained open after more than 5 years, and 35 grants remained open yet had been 100 percent drawn down for at least 6 months.



Because the PTD did not indicate whether ONAP had taken follow-up action to address the indications of closeout eligibility for these cases, ONAP management could not readily determine whether appropriate follow-up action had been taken. Including a field in the PTD to track the most recent ONAP follow-up action for grants that appear to be overdue for closeout would increase the efficiency of management's oversight of the grant closeout process. This information would

reduce the amount of manual research required to determine whether timely follow-up action had been taken to address indications of overdue closeout.

## Conclusion

ONAP lacked adequate controls over the ICDBG closeout process, including written policies and procedures for management oversight and reliable, relevant, and accurate PTD data. This condition occurred because ONAP previously did not prioritize grant closeouts and did not design sufficient oversight procedures to consistently monitor grant closeout eligibility. As a result, ONAP did not always initiate timely follow-up action to determine grant closeout eligibility, and management lacked sufficient tracking data to efficiently monitor grant closeouts.

## Recommendations

We recommend that HUD's Deputy Assistant Secretary for the Office of the Native American Programs

- 1A. Develop and implement policies and procedures establishing minimum standards for management oversight of the ICDBG closeout process, resulting in \$3,999,995 being put to better use, ensuring that unexpended or ineligible funding amounts for future grants are determined and recaptured within required timeframes.
- 1B. Review PTD closeout and target closeout dates for open grants and correct inaccurate or missing data.
- 1C. Evaluate management's need for PTD reports and correct deficiencies within applicable PTD reports, including missing, duplicate, or inaccurate records to ensure adequate information is available for management's oversight of the grant closeout process.
- 1D. Consider adding a field in the PTD to indicate the status of ONAP follow-up actions for grants that appear to be overdue for closeout.

## **SCOPE AND METHODOLOGY**

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We reviewed the ONAP's ICDBG program closeout process based on information received from the Southwest ONAP indicating that ONAP may not have been closing out grants within required timeframes. Our review generally covered ONAP procedures related to the ICDBG closeout process during the period January 2007 through November 2013. We performed our audit from November 2013 to June 2014 at the Office of Inspector General (OIG) Phoenix Office of Audit. However, we contacted ONAP officials and ONAP field offices remotely via teleconference.

To accomplish our objective, we:

- Reviewed applicable ONAP regulations, including 24 CFR Part 1003<sup>6</sup> and the ICDBG Grants Management Business Process Manual (October 2011);<sup>7</sup>
- Interviewed ONAP management at each of the six ONAP field offices;
- Obtained and analyzed a copy of ONAP's PTD ; and
- Selected and reviewed a targeted sample of 58 grants to evaluate ONAP's control over the ICDBG closeout process.

During our audit period, 523 program grants totaling more than \$372.9 million were funded. For our review of ONAP's grant closeout process, we limited the sample universe to grants reported as open as of November 7, 2013, the date we obtained the PTD for review. The sample universe included 272 open grants totaling more than \$208.8 million. The 58 sample items were selected based upon indications within the PTD that the grant could be overdue for closeout. For example, grants were selected with consideration given to the percentage of funds drawn; the timing of reported draws, and the time elapsed since reported target closeout dates. The sample selection process was not designed to identify all possible overdue grant closeouts, and in some cases, grants may have been overdue yet were not selected for the sample. The sample results demonstrate examples of noncompliance that resulted from the control deficiencies identified in the audit finding yet cannot be projected to estimate an error or compliance rate for the population of grants.

We relied on data maintained by ONAP in its PTD to identify grants funded during the audit period and the associated grant amounts. We determined that the computer-processed data used were sufficiently reliable for our purposes. To assess the reliability of data within the PTD, we selected and reviewed a random sample of 15 grants (and 145 associated individual draws) from the audit sample and verified that the reported draw data matched information obtained directly from HUD's Line of Credit Control System. We also interviewed ONAP staff familiar with the design and operation. PTD data for each of the sample selections were validated as part of the

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<sup>6</sup> See appendix D.

<sup>7</sup> See appendix D.

sample review process by reviewing documents supplied by ONAP. Although we determined that the data were sufficiently reliable for identifying grants and associated draw amounts during the audit, we note in the audit report that our sample testing identified inaccurate or missing dates within the . This audit report includes a recommendation that ONAP correct these data for management control purposes.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## **INTERNAL CONTROLS**

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Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

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### **Relevant Internal Control**

We determined that the following internal control was relevant to our audit objective:

- Control over the ICDBG closeout process.

We assessed the relevant control identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

### **Significant Deficiency**

Based on our review, we believe that the following item is a significant deficiency:

- ONAP lacked adequate controls over the ICDBG closeout process (finding).

## APPENDIXES

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### Appendix A

#### **SCHEDULE OF FUNDS TO BE PUT TO BETTER USE**

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Recommendation number	Funds to be put to better use 1/ \$3,999,955
1A	\$3,999,955

- 1/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an OIG recommendation is implemented. These amounts include reductions in outlays, DE obligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in prewar reviews, and any other savings that are specifically identified. In this instance, the estimated funds to be put to better use for recommendation 1A represent grant amounts associated with the four sample grants totaling \$3,999,955<sup>8</sup> that were eligible for closeout yet remained open at the time of our audit without timely follow-up action to pursue grant closeout. Because ONAP did not take timely action to determine the status of these grants, HUD lacked appropriate and timely assurance that funds awarded for the projects were accounted for and expended for eligible purposes. By implementing the audit recommendations, HUD will ensure that unexpended or ineligible funding amounts for future grants are determined and recaptured within required timeframes. Further, implementing the recommendations will ensure that untimely grant closeouts are identified in a timely manner and appropriately factored into the grant award ranking process to prevent the expenditure of future grant funds for grantees that would be excluded if not for the untimely consideration the grantees' closeout performance history.

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<sup>8</sup> See appendix C.

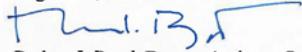
## Appendix B

### AUDITEE COMMENTS AND OIG'S EVALUATION

#### Ref to OIG Evaluation

#### Auditee Comments

#### Comment 1

<p> U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT WASHINGTON, DC 20410-5000 AUG - 4 2014 OFFICE OF PUBLIC AND INDIAN HOUSING</p> <p>MEMORANDUM FOR: Tanya E. Schulze, Regional Inspector General for Audit, Region IX, 9DGA  FROM: Rodger J. Boyd, Deputy Assistant Secretary, Office of Native American Programs, PN  SUBJECT: Response to the Discussion Draft Report Indian Community Development Block Grant Closeout</p> <p>The Office of Inspector General (OIG) audited the Office of Native American Programs' (ONAP) closeout process for the Indian Community Development Block Grant (ICDBG) program. ONAP has reviewed the subject draft report and accepts the OIG's finding with the following comments.</p> <p>The draft report classifies some funds as 'funds to be put to better use'. ONAP disagrees with the report's implied conclusion that if grant closeout was not delayed, then any unexpended or ineligible funding could be reallocated to another project/grantee. HUD has a two-year period for obligation of ICDBG funds and an overall expenditure period of seven years. Any funds recaptured from an ICDBG grantee after the obligation period must be returned to Treasury and cannot be used by HUD for any purpose. Given the nature of the program as a multi-year development program, most projects are not complete until after the two-year obligation deadline. Therefore, any funds remaining at the completion of the project could not be reallocated, even if the closeout occurred closer to project completion.</p> <p>The report cites that ICDBG data was missing or inaccurate in the Performance Tracking Database (PTD). ONAP agrees that, in some cases, data was missing from the PTD or was inaccurate with respect to target or actual closeout dates. However, ONAP disagrees with the conclusion that these errors or omissions in any way precluded timely follow-up or the efficient monitoring of grant closeouts.</p> <p>Aside from the PTD, the program has other reporting avenues to monitor expenditures and grant progress. On a quarterly basis, an ICDBG grantee is required to submit a Federal Financial Report that includes the financial status of the grant. This information is used to ascertain when a recipient has fully drawn down and expended grant funds as well as leveraged resources.</p> <p>In addition, the status of each open grant is reviewed with the submission of the Annual Status and Evaluation Report which includes a thorough review of LOCCS draw</p>	<p>1</p>
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down information and recommendations are provided to the grantee for updating implementation schedules, as needed. Finally, for each new applicant for ICDBG funding, an assessment is conducted of any open ICDBG's for the previous 12-month period and whether or not the applicant's performance (including whether or not grants were closed out in accordance with regulatory requirements) warrants the awarding of points under Rating Factor 1. These opportunities, taken together, give Area ONAP staff ample resources outside of the PTD to keep track of the status of ICDBG projects.

Thank you the opportunity to comment on this draft report. ONAP will take the necessary actions to ensure compliance with the final report. If you have questions about the comments, please contact Jennifer Bullough, Director, Office of Grants Evaluation, at (202) 402-4274.

## **OIG Evaluation of Auditee Comments**

**Comment 1** ONAP disagrees with the report's implied conclusion that if grant close out was not delayed then any unexpended or ineligible funding could be reallocated to another project/grantee. Although ONAP is correct in its assessment regarding the reallocation of funds, the audit report does not reference nor imply that the reallocation of the ICDBG grant funds with cases that were not delayed could be allocated to another project/grantee. Recapture of funds by the Treasury and subsequent reallocation would still constitute funds to be put to better use, even if the reallocation was to another Agency or HUD program.

As stated in appendix A, the estimated funds to be put to better use represent grants that were eligible for closeout yet remained open at the time of our audit without timely follow-up action to pursue grant closeout. Because timely action to determine the status was not taken, HUD lacked appropriate and timely assurance that the funds were accounted for and expended for eligible purposes. By implementing the audit recommendations, HUD will ensure that unexpended or ineligible funding amounts for future grants are determined and recaptured within required timeframes. Further, implementing the recommendations will ensure that untimely grant closeouts are identified in a timely manner and appropriately factored into the grant award ranking process to prevent the expenditure of future grant funds for grantees that would be excluded if not for the untimely consideration the grantees' closeout performance history.

**Comment 2** ONAP disagrees with the conclusion that PTD errors or omissions in any way precluded timely follow up or the efficient monitoring of grant closeouts. In its response, ONAP detailed specific financial reports that are utilized to review grantee expenditures. While we agree these reports are useful, they do not focus and address the target closeout dates, which was the focus of the audit finding.

As explained in the audit report regarding review procedures, OIG was aware that the managers at the area ONAP offices periodically reviewed the SF-425 Federal Financial Report, LOCCS and Annual Status and Evaluation Report. However, our review disclosed that management's monitoring reviews were not always effective because emphasis was not placed on the target closeout date. We determined there were no controls in place to consistently monitor ICDBG grant closeout date requirements and readily identify expired target close out dates.

Since ONAP relies on the PTD to monitor ICDBG target closeout dates, the PTD should maintain accurate data. If adequate monitoring is not performed, ONAP offices may not have accurate data in the PTD that is critical to the ICDBG program closeout process, ensuring compliance with applicable laws and regulations. HUD needs this information in order to make informed judgments regarding a grantee's capacity to carry out approved activities.

## Appendix C

### DETAILED RESULTS OF OIG'S REVIEW

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Grantee - grant number	Grant year	No timely follow-up to determine status or closeout eligibility	PTD inaccurate	Grant amounts for grants eligible for closeout
<b>Eastern Woodlands ONAP</b>				
B07SR280260	2007	X		\$600,000
B08SR370566	2008		X	
B09SR271876	2009		X	
B08SR272666	2008	X	X	
B09SR231390	2009		X	
B10SR272666	2010	X	X	
B07SR263640	2007	X	X	\$599,955
B08SR263078	2008	X	X	
B09SR554910	2009	X	X	
B07SR232452	2007	X		
B10SR265044	2010		X	
B12SR265044	2012		X	
B10SR365716	2010		X	
B09SR250521	2009	X	X	\$600,000
<b>Northwest ONAP</b>				
B10SR530697	2010			
B10SR531270	2010	X		
B07SR531832	2007			
B09SR531490	2009	X		
<b>Northern Plains ONAP</b>				
B08SR300188	2008		X	
B11SR300646	2011			
B10SR460434	2010	X		
B10SR461340	2010		X	
B08SR461448	2008	X		
B08SR380001	2008	X	X	
B09SR491276	2009	X		
B10SR491276	2010			
<b>Alaska ONAP</b>				
B10SR020015	2010			
B10SR020056	2010			
B10SR020009	2010			
B08SR020032	2008			

Grantee - grant number	Grant year	No timely follow-up to determine status or closeout eligibility	PTD inaccurate	Grant amounts for grants eligible for closeout
<b>Southern Plains ONAP</b>				
B08SR400578	2008			
B11SR400586	2011			
B08SR400596	2008			
B12SR201708	2012		X	
B10SR400724	2010			
B10SR400724	2010			
<b>Southwest ONAP</b>				
B10SR040302	2010	X		\$2,200,000
B10SR350531	2010		X	
B08SR063428	2008	X	X	
B08SR350445	2008	X		
B07SR062180	2007		X	
B07SR350522	2007			
B07SR062779	2007			
B07SR350306	2007		X	
B08SR060356	2008			
B08SR350318	2008	X	X	
B09SR350124	2009		X	
B07SR062474	2007			
B08SR040281	2008			
B07SR040281	2007			
B10SR060350	2010			
B08SR350294	2008		X	
B07SR040218	2007			
B09SR042509	2009			
B10SR061864	2010			
B08SR040224	2008			
B07SR040224	2007			
B08SR040008	2008			
B10SR060003	2010		X	
<b>Totals</b>		<b>18</b>	<b>24</b>	<b>\$3,999,955</b>

## **Appendix D**

### **CRITERIA**

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#### **24 CFR 1003.301, Selection Process**

- (a) Threshold requirement. An applicant that has an outstanding ICDBG obligation to HUD that is in arrears, or one that has not agreed to a repayment schedule will be disqualified from the competition.

#### **24 CFR 1003.508, Grant Closeout Procedures**

- (a) Criteria for closeout. A grant will be closed out when the Area ONAP determines, in consultation with the grantee, that the following criteria have been met:
  - (1) All costs to be paid with ICDBG funds have been incurred, with the exception of closeout costs (e.g., audit costs) and costs resulting from contingent liabilities described in the closeout agreement pursuant to paragraph (c) of this section. Contingent liabilities include, but are not limited to, third-party claims against the grantee, as well as related administrative costs.
  - (2) With respect to activities which are financed by means of escrow accounts, loan guarantees, or similar mechanisms, the work to be assisted with ICDBG funds has actually been completed.
  - (3) Other responsibilities of the grantee under the grant agreement and applicable laws and regulations appear to have been carried out satisfactorily or there is no further Federal interest in keeping the grant agreement open for the purpose of securing performance.
- (b) Closeout actions.
  - (1) Within 90 days of the date it is determined that the criteria for closeout have been met, the grantee shall submit to the Area ONAP a copy of the final status and evaluation report described in §1003.506(a) and a completed Financial Status Report (SF [standard form]-269). If acceptable reports are not submitted, an audit of the grantee's program activities may be conducted by HUD.
  - (2) Based on the information provided in the status report and other relevant information, the grantee, in consultation with the Area ONAP, will prepare a closeout agreement in accordance with paragraph (c) of this section.
  - (3) The Area ONAP will cancel any unused portion of the awarded grant, as shown in the signed grant closeout agreement. Any unused grant funds disbursed from the U.S. Treasury which are in the possession of the grantee shall be refunded to HUD.
  - (4) Any costs paid with ICDBG funds which were not audited previously shall be subject to coverage in the grantee's next single audit performed in accordance with 24 CFR part 44. The grantee may be required to repay HUD any disallowed costs based on the results of the audit, or on additional HUD reviews provided for in the closeout agreement.

- (c) Closeout agreement. Any obligations remaining as of the date of the closeout shall be covered by the terms of a closeout agreement. The agreement shall be prepared by the grantee in consultation with the Area ONAP. The agreement shall identify the grant being closed out, and include provisions with respect to the following:
- (1) Identification of any closeout costs or contingent liabilities subject to payment with ICDBG funds after the closeout agreement is signed;
  - (2) Identification of any unused grant funds to be canceled by HUD;
  - (3) Identification of any program income on deposit in financial institutions at the time the closeout agreement is signed;
  - (4) Description of the grantee's responsibility after closeout for:
    - (i) Compliance with all program requirements, certifications and assurances in using program income on deposit at the time the closeout agreement is signed and in using any other remaining ICDBG funds available for closeout costs and contingent liabilities;
    - (ii) Use of real property assisted with ICDBG funds in accordance with the principles described in §1003.504; and
    - (iii) Ensuring that flood insurance coverage for affected property owners is maintained for the mandatory period;
  - (5) Other provisions appropriate to any special circumstances of the grant closeout, in modification of or in addition to the obligations in paragraphs (c)(1) through (4) of this section. The agreement shall authorize monitoring by HUD, and shall provide that findings of noncompliance may be taken into account by HUD as unsatisfactory performance of the grantee in the consideration of any future grant award under this part.
- (d) Termination of grant for convenience. Grant assistance provided under this part may be terminated for convenience in whole or in part before the completion of the assisted activities, in accordance with the provisions of 24 CFR 85.44. The grantee shall not incur new obligations for the terminated portions after the effective date, and shall cancel as many outstanding obligations as possible. HUD shall allow full credit to the grantee for those portions of obligations which could not be canceled and which had been properly incurred by the grantee in carrying out the activities before the termination. The closeout policies contained in this section shall apply in such cases, except where the approved grant is terminated in its entirety. Responsibility for the environmental review to be performed under 24 CFR part 50 or 24 CFR part 58, as applicable, shall be determined as part of the closeout process.
- (e) Termination for cause. In cases in which HUD terminates the grantee's grant under the authority of subpart H of this part, or under the terms of the grant agreement, the closeout policies contained in this section shall apply, except where the approved grant is canceled in its entirety. The provisions in 24 CFR 85.43(c) on the effects of termination shall also apply. HUD shall determine whether an environmental review is required, and if so, HUD shall perform it in accordance with 24 CFR part 50.

## **ICDBG Grants Management Business Process Manual**

### **12.1.1 Documents Required**

The GMS [Grants Management System] must receive the following documents from the tribe, within 90 days of completion of grant activities (or when the criteria have been met).

- The final Federal Financial Report (SF-425);
- The final Status and Evaluation Report
- In addition, the GMS should review the closeout documents for completeness to determine whether:
  - The documents are signed by the appropriate official(s);
  - The dollar amounts reflected on form SF-425 are consistent with the latest approved Cost Summary, the final Status and Evaluation Report, the Closeout Agreement, and Line of Credit Control System (LOCCS); and
  - Other resource contributions identified in the approved application are included on form SF-425.

If any of the required documents is not submitted on time, the GMS should follow-up with the tribe by telephone and/or mail. The GMS should also contact the tribe and request corrected documents if any deficiencies are found.

### **12.1.2 Unused Balances**

The GMS should print the grant's LOCCS Q08 screen to determine if all funds have been drawn down. If there is a balance, the Area ONAP must cancel any unused portion of the awarded grant, as agreed to in the signed grant Closeout Agreement. Any unused grant funds disbursed from the U.S. Treasury that are in the possession of the recipient must be refunded to HUD. Any costs paid with ICDBG funds that were not audited previously shall be subject to coverage in the grantee's next Single Audit performed in accordance with Section 44. The recipient may be required to repay HUD any disallowed costs based on the results of the audit, or on additional HUD reviews provided for in the Closeout Agreement. Area ONAPs must also de-obligate any remaining ICDBG funds in the grant in accordance with the Administrative Control of Funds Plan.

### **12.2 Closeout Agreement**

If the documents submitted by the grantee demonstrate that the regulatory criteria for closeout have been met, the GMS should prepare for Area Administrator signature, a letter informing the grantee of such.

The ICDBG regulation requires grantees to agree to certain final tasks and obligations resulting from the federal grant. A sample Closeout Agreement (which should be printed by the grantee on tribal letterhead) should be included with the Initiation of Closeout Letter to the grantee. The agreement must clearly identify the grant being closed out, and include provisions with respect to the following:

- Any obligations remaining as of the date of the closeout;
- Identification of any closeout costs or contingent liabilities subject to payment with ICDBG funds after the Closeout Agreement is signed;
- Identification of any unused grant funds to be cancelled by HUD;

- Identification of any program income on deposit in financial institutions at the time the Closeout Agreement is signed;
- Description of the recipients responsibility after closeout;
  - Compliance with all program requirements, certifications and assurances in using program income on deposit at the time the closeout agreement is signed and in using other remaining ICDBG funds available for closeout costs and contingent liabilities;
  - Use of real property assisted with ICDBG funds in accordance with the principles described in §1003.504; and
  - Ensuring that flood insurance coverage for affected property owners is maintained for the mandatory period;
- Other provisions appropriate to any special circumstances of the grant closeout;
- Authorize monitoring by HUD; and
- Provide that findings of non-compliance may be taken into account by HUD as unsatisfactory performance of the recipient in the consideration of any future grant award.