CHAPTER I: PROJECT START UP

OVERVIEW

This first chapter of the CDBG Grant Administration manual summarizes the key considerations in the implementation of a CDBG-funded project. Now that you, the grantee, have been awarded Community Development Block Grant (CDBG) funding, it is important to take the next steps required to successfully carry out the stated National Objective of your project (Low-Moderate Income [Area-wide, Limited Clientele, Housing or Jobs], Slum & Blight, or Urgent Needs) and comply with the requirements established by the Department of Housing and Urban Development (HUD) for CDBG projects.

The **Project Start-Up Checklist** at the end of this chapter is a useful tool that covers the basic first steps necessary in order to begin using your grant funds.

GRANT AWARD AND NOTICE TO PROCEED

While the CDBG grant administration process begins with notification from the CDBG office of the grant award, the official process begins with the city or county receiving a Notice of Grant Award letter from the Governor and the from the Director of the Governor's Office of Economic Development (GOED). The grant award agreement, sent with the letter from the Director of GOED, must be signed by the Mayor or County Commission Chairperson of the local government receiving the grant. The essence of the agreement is that the Governor's Office of Economic Development: Rural Community and Economic Development will provide the funding and the city or county will guarantee that the project is implemented as stated in the grant application and that all CDBG program responsibilities will be carried out as required.

The Notice of Grant Award and the grant agreement do not authorize the grantee to begin incurring costs. Before any reimbursable costs for a project can be incurred, the grantee must receive a Notice to Proceed. The Notice to Proceed can only be issued after an environmental review has been completed and accepted. The environmental review process must be completed for each grant before costs can be incurred and funds can be released. Chapter II: Environmental Review outlines the requirements for completing the correct level of environmental review.

SETTING UP YOUR PROCESS

I. Defining project responsibilities

It is to the grantee's advantage to decide from the start who will manage the grant and the project and to clearly define the respective responsibilities. Keep in mind that the duties involved in administering the grant and the actual project are different. The grant administrator must ensure the right person is doing the right job. Management may be handled by one person or shared among several people depending upon the organizational structure and the nature of the project. Often, an administrative assistant to the governing body, the county engineer, or the county manager manages the project. In some cases, the project management duties are contracted out to an engineering or consultant firm. A good alternative is for a local grant administrator to be responsible for reporting and record keeping while the engineer handles the technical aspects of the project. The **Project Responsibilities Checklist** at the end of the chapter is useful in assigning project management duties.

In managing the grant, the grant administrator needs to have a general understanding of the types of

Federal laws and regulations that apply to the CDBG program. This manual is a primary source of information for the grant administrator. For all projects, the grant administrator should keep in mind that procurement must follow the **Common Rule (24 CFR Part 85: Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments)** and be open and competitive. Efforts should be made to involve minority and women-owned businesses in CDBG contracting opportunities as part of the "Section 3" process. Section 3 is reviewed in greater detail in Chapter V: Construction Management & Labor and again in Chapter X: Civil Right/Equal Opportunity.

For projects involving construction contracts, the correct CDBG Assurances and Certifications must be in the bid document and all contracts or agreements. The project manager is expected to monitor the project closely to ensure that the contractor and subcontractors pay the correct wage rates and that all other labor and civil rights laws are followed. See Chapter V: Construction Management & Labor Standards.

The acquisition of real property, particularly if it results in the displacement of low and moderate income residents, requires that additional steps be taken that can be very time consuming and extremely expensive. If the project involves the acquisition of real property, the grant administrator should be familiar with the local Anti-Displacement Plan. Chapter VI: Acquisition & Relocation should be read carefully to determine whether the project can be accomplished.

II. Record Keeping

As soon as the grantee has received the notice of the grant award, the grant file needs to be created. While some grantees may keep electronic files, state and federal monitoring requires a hard copy of the grant project file. Separate grant files should be created for each grant project. Files should be established for each of the following areas:

1.   PROJECT APPLICATION;

2.   FINANCIAL MANAGEMENT;

3.   ENVIRONMENTAL REVIEW RECORD;

4.   PROCUREMENT/QUOTE OR BID PROCESS/CONTRACT MANAGEMENT

5.   LABOR STANDARDS;

6.   ECONOMIC DEVELOPMENT (if applicable);

7.   FAIR HOUSING/EQUAL OPPORTUNITY/CITIZEN PARTICIPATION;

8.   PROJECT CONTROL/MONITORING.

The **Grantee Record Keeping: File Organization** form at the end of the chapter can be copied. Each section can be cut and taped to a folder. The section label is a checklist of the activities that must be documented. As the grantee creates or receives documentation, it is easy to file the paperwork in the correct section as the project progresses.

Compliance with state and federal laws and regulations is recorded in the project files even though the tangible results of a project are: an installed water line, a completed feasibility study, additional dining space in a senior center or some other type of finished project. The grant administrator is required to keep adequate records in order to document that the grantee, professional service providers, contractors and subcontractors complied with the applicable laws and regulations and completed all required reports throughout the life of the grant project.

The grantee's filing system should be accessible, complete, easy to use, monitor-friendly, and include an historical account of the grant activities for review by local, state and federal staff members. During the life of the project, the grantee's files must be kept where they are readily accessible. Once a grant is closed, the records can be placed in storage. However, records must be kept for a period of five years from the date of the CDBG closing letter.

Throughout the manual there are various checklists. The grant administrator may find it helpful to copy the various checklists and place a copy in the appropriate file. The checklists help keep track of the documents that are in the file and those that are still required.

III. <u>Reporting</u>

In addition to a keeping a well-maintained set of records at the local level, the grant administrator must submit specific reports on each grant to the CDBG office. The reports serve three main purposes; they:

1. enable the grantee to track the progress of the project;
2. assist CDBG staff members in following the project's progress;
3. provide required information that is reported to HUD.

Reports can provide an early indication of any problems that might be developing with a project. Early attention to potential problems may help avert or lessen the degree of the problem. CDBG staff members are available to provide technical assistance and/or contact the HUD field office for guidance.

Reports help all involved in the project to monitor the progress and accomplishments of the project. At the federal level, the reports help evaluate the State CDBG program and assess how national objectives and eligible activities are met.

Required reports are described below. If necessary, CDBG staff members may request additional reports. Copies of the forms for these reports are at the end of the chapter and on the CDBG web site.

Progress Reports

<u>Quarterly Project Reports</u>: The **Quarterly Project Report** summarizes the project's progress for the past quarter. CDBG staff members read the reports and use the information to help in monitoring the progress of grants. Information provided in the quarterly reports is entered into HUD's Integrated Disbursement and Information System (IDIS). The first quarterly report for a new program year, which begins July 1st, reports through September 30th and is due by October 15th. These signed reports are submitted electronically. Original copies are maintained in the grantee's file.

In addition to the grant name, grant number for the project, name of the person preparing the report and the quarter for which the report is being submitted, other information is requested on the quarterly

report:

- The amount of funds drawn to date.
- Is the project complete?
- Is this the final report?

Quarterly reports should be an ongoing narrative of the project. The September 30th report might note that the environmental review (ER) has been completed and a Notice to Proceed has been received. If that has not occurred, the report should provide detail of the status of the ER. The December 30th report may note that professional services been retained or that bid documents have been developed, approved and advertised. Other items that might be included are: wage rates have been requested and verified ten days before bid opening. The March 30th report might describe the contractor selection process, council/commission approval, debar, pre-construction conference and start and end dates for the construction. The June 30th report could provide information regarding payrolls and employees interviews. All of this information is essential to keeping your project on track and in compliance. The quarterly report is the grantee's way of tracking progress and keeping the CDBG staff members informed and up to date.

A separate section in the quarterly report provides the opportunity to notate any problems that have been encountered during the quarter. Problems do not have to be related only to CDBG. Sometimes a problem may arise with another agency or entity involved in the project. CDBG staff may be able to help find a resolution. The grantee may also request technical assistance on the quarterly report.

Each report is due by the 15th of the month following the end of the quarter. Signed copies of the reports are submitted by email or fax to the CDBG Program Specialist with a CC: to the CDBG Program Administrator. The original is retained in the grantee's file. A sample of the report is at the end of the chapter.

Project Benefits Report: The **Project Benefits Report** (PBR) is used to report who benefited from the project. It also summarizes some of the civil rights/equal opportunity information used by HUD in its reporting to Congress. It is filled out at the completion of the project and retained in the grantee's file; a copy is sent to the CDBG Program Specialist. This information is submitted to HUD every year as part of the Consolidated Annual Performance Evaluation and Review (CAPER) and as part of the Integrated Disbursement and Information System (IDIS.) Not submitting a Project Benefits Report at the end of a project can delay closing the grant in a timely fashion.

The reports are due as soon as the project is completed and beneficiaries are determined. Generally the number of beneficiaries on the closing report should match the number submitted in the application. Numbers may vary, especially with Limited Clientele (LMI-C), as these numbers may be estimated for the application and be actual numbers for the Project Benefits Report.

Financial Reports

CDBG Draw Request: This report serves two purposes: drawing down funds and reporting the status of the grant funds at the local level. The **CDBG Draw Request** form is used to request payment from CDBG. It must be submitted with supporting documentation to the CDBG Program Specialist. A CDBG Draw Request Checklist is included at the end of the chapter.

Additional information on filling out a draw request is included in Chapter III: Financial Management. A sample of the report is located at the end of the chapter.

Contracts and Labor Reports

There are a number of reports relating to contracts and labor standards. Most are described here; the forms are included at the end of Chapter V: Construction Management and Labor Standards.

Grantee Notification of Contract and Subcontracts Awarded: This report notifies CDBG staff members of the contracts and subcontracts awarded for the project. The grant administrator should complete it with assistance from the contractor. It is due as soon as possible after the contracts are awarded. This report is only submitted once, unless there is a change in the prime or subcontractors. Since subcontractors also have to be checked against the list of debarred contractors, the report serves as a double check. In many cases, this information is readily available because contractors need to list their subcontractors in the bid documents.

The report also is used to identify the construction trades to be used on the project. With that information, the grant administrator can use the Wage Comparison Worksheet (WCWS) to calculate the correct State Prevailing and Davis-Bacon wage rates to be used on the project. The WCWS should be completed at the time of the preconstruction conference. It contains the wage information that is used when the contractor and the grant administrator conducts his/her weekly review of the contractors' payroll reports. State Prevailing wage rates apply to projects $250,000 and over; Davis-Bacon wage rates apply to projects $2,000 and over.

Contract and Subcontract Activity: This report is also called the Minority Business Enterprise Activity Report (MBE) and is used to provide HUD with information on the number of minority and female owned businesses receiving CDBG consulting or construction contracts. The report is submitted to HUD in April and October and reflects CDBG contracting activities for the preceding six months. This report parallels the Grantee Notification of Contract and Subcontracts Awarded report and contains much of the same information.

Weekly Payroll Summaries: Because CDBG projects are subject to both Davis-Bacon and State Prevailing wages, contractors are required to report who works on each project, correct job classifications, base pay, fringe benefits, and any other deductions. These forms are submitted to the grant administrator by the contractor. The contractor must submit payroll reports to the grant administrator on a weekly basis, including the payroll reports of any subcontractors. The grant administrator is responsible for checking the reports on a weekly basis to ensure proper wages are paid and withholding amounts are correct. Copies are signed off on by the grant administrator and kept in the grant project file. Copies of all payrolls during the life of a project are submitted to the CDBG Program Specialist. If any payroll error occurs during that time and restitution is required, that needs to be resolved as soon as possible. Delay in reporting payroll issues can lead to greater problems.

Both the CDBG program and the State Labor Commissioner require these records be maintained locally. When CDBG staff members monitor grant files, copies of the payroll reports are reviewed to ensure the contractor/payroll clerk and the grant administrator reviewed and signed off on correct wages and hours.

There are various reporting formats. CDBG requires the use of the federal U.S. Department of Labor Payroll form (WH-347) or a facsimile of that form. The form includes a certification page (back side of form/second page). This certification page must accompany any payroll report, regardless of format. The certification <u>must</u> be signed by the contractor or the contractor's payroll clerk. The federal government requires the contractor certify that the weekly payroll conforms to the federal labor standard provisions.

Many contractors and subcontractors use computer programs to maintain payroll records. Electronic payroll reports are acceptable and may be preferable to CDBG. However, as noted above, the certification page must accompany the computer report and be signed by the owner of the company. If payroll reports are not signed by the owner, HUD requires the owner complete a form authorizing the person in charge of payrolls as the signatory. The form is included in the Construction Management & Labor Standards chapter.

<u>Final Wage Compliance Report</u>: The Final Wage Compliance Report outlines any wage rate disputes and the resolution by the grantee. The report must be completed and signed by the CDBG grant administrator and sent to the CDBG office. The original is retained in the grantee's Labor Standards file. A copy of the report can be found in Chapter V: Construction Management & Labor Standards.

SUMMARY

While these are the primary reports submitted to the CDBG office, there are additional reporting requirements. Additional reporting forms are at the end of the chapters. Reports can be submitted by email, fax or hard copy. CDBG requires original signature copies on some forms or reports. A chart indicating what forms or reports require an original signature is at the end of the chapter.

The remaining chapters of this manual provide guidelines for procedures to follow as you implement the CDBG project for your community. Some chapters, such as Chapter VI. Acquisition, Displacement & Relocation, is for specific projects that are not often undertaken. Others, such as Chapter II. Financial Management & Record Keeping and Chapter III. Environmental Review, are common to all CDBG projects. While it is impossible to cover every aspect of a CDBG project, the intent with this manual is to provide guidelines and helpful tools to make your CDBG project successful.