

What's New!

To assure expenditures are in accordance with the terms and conditions of the federal award, 2 CFR §200.415(a) requires the final fiscal report (PCR) to contain the following certification:

“By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729–3730 and 3801–3812).”

CHAPTER 13

Monitor Review

Role of Program Monitor

- Comprehensive monitoring of Grant Recipient's compliance with program policies.
- Final review of Project Completion Report and closeout documents
- Program oversight
- Provide technical assistance

Compliance Objectives

- Review Grant Recipient's performance for compliance with TxCDBG program requirements.
- Identify and investigate possible fraud and abuse
- Identify technical assistance needs

Contract Selection Criteria

- Approximately 75% of total contract funds expended or construction is nearly complete.
- Need for interim review identified
- Grant Recipient request
- Complaint received
- Program staff request (with management approval)
- In the future, TDA may select contracts for full comprehensive review based on risk analysis.

Method of Review

The majority of contracts are reviewed through a desk review.

- ✓ TDA requests documents for the review to be mailed to us.
- ✓ Documents may also be provided in digital format through compact disk, thumb drive, or through a cloud file sharing service.

High risk contracts may warrant on-site review.

Monitor Review Report

- Following the review attempt to resolve preliminary findings.
- The monitor review letter is mailed to the Grant Recipient within **30** days of the date of the monitor's review visit.
- Non-Compliance Letter
- Details findings and/or concerns
- Provides resolutions and/or recommendations to resolve findings and/or concerns
 - ❖ Resolution of a finding may require a corrective action plan
 - ❖ Finding may result in disallowed costs
- The Grant Recipient must provide a complete response in writing within **30** days from the date of the findings letter.

Decision Categories

- ✓ Satisfactory Performance
- ✓ Concerns
- ✓ Findings
- ✓ Technical Assistance

CHAPTER 14

Audit Requirements

Single Audit or Program Specific Audit Threshold

- For fiscal years beginning after December 26, 2014, \$750,000 of total ***federal expenditures*** (not revenues) ***or***
- For fiscal years beginning after December 26, 2014, \$750,000 total ***state expenditures*** (not revenues) or
- Program Specific audit election: allowed for entities whose expenses come from a single federal or single state assistance program ***and*** the Grant Recipient is not required by other laws or regulations to have a financial statement audit

Frequency of Audit

- Annually, if the \$750,000 expenditure threshold is met or exceeded
- Submit an audit within the earlier of 30 days after receipt of the auditor's report(s), and within 9 months after your fiscal year end.

Grant Recipient's Responsibilities

Management must complete & submit to TDA an Audit Certification Form (ACF)

- An ACF is due annually, within 60 days after fiscal year end, for as long as the contract remains open.
- A non single audit report (Financial Statement or GAS audit) will not be accepted in lieu of the annual ACF filing requirement.

Audit Certification Form (ACF)

An ACF notifies TDA:

- > Whether or not a community has met or exceeded the \$750,000 expense threshold
- > If the threshold was **not** reached, then the ACF reports expenditures during the fiscal for all open federal and state grants, even if the amount is zero.
- Note that any local match expenditures related to a federal or state grant is not included in the reporting.

ACF must be signed by the Grant Recipient's certifying officer, designee, or CPA firm.

- **Grant management consultants may not certify the ACF.**

Submitting a Single Audit

- Submit the Single Audit within the earlier of **30** days after receipt of the auditor's report(s), or within **9** months after the fiscal year end.

- Single Audit Packet must include:
 1. Single Audit report
 2. Single Audit Report Submission Checklist
 3. CPA firm's Management Letter along with Grant Recipient's response and planned corrective action for any deficiencies

Delinquent or Incomplete Filing

Non receipt or incomplete ACF or Single Audit Packet **may** result in:

- ✓ A hold on contract amendment requests
- ✓ Suspended funding on all open contracts
- ✓ Ineligibility to apply for TxCDBG assistance
- ✓ Place a hold on any newly awarded contracts

Submit ACF or Single Audit

**Texas Department of Agriculture
Compliance Audit Section
P. O. Box 12877
Austin, TX 78711-2877**

ACFs may also be submitted online at the
TDA website.

CHAPTER B

Planning

Planning Grants

- Planning is an organized way of preparing for the future.
- It helps accommodate and integrate competing interests to meet expected change, produce desired change and prevent undesirable change.
- It provides a guide and alternative solutions to problems. It is a process and technique for setting policies and enforcing them in a coordinated fashion.
- A community with a plan is likely to appear generally more attractive, particularly considering that a good part of the economic development process is marketing.

CHAPTER C

Housing Rehabilitation

Housing Rehabilitation

- Program objective is to bring single-family, owner occupied homes up to Section 8 Housing Quality Standards.
- Funding limit is \$50,000 per home.
 - Previously, limit was \$25,000 per home.
- Low-to-moderate income homeowners in targeted areas may apply for assistance according to the adopted Housing Rehabilitation Guidelines.

Housing Rehabilitation Guidelines

- The Grant Recipient must submit a draft of proposed Housing Rehabilitation Guidelines with their grant application.
- TDA must review and approve Guidelines before they are implemented.
- The Grant Recipient's local governing body must officially adopt the Guidelines.
- Grant Recipient must administer the local program according to provisions of the adopted Guidelines.

Homeowner Forgivable Loans

Assistance is provided through non-interest, five-year forgivable loans executed between the Grant Recipient and homeowner.

- ◇ Homeowner is required to live in the home for at least five years after receiving assistance.
- ◇ Each year 20% of loan balance is forgiven.
- ◇ The Grant Recipient must provide homeowners information that clearly explains the forgivable loan process and requirements.

Rehabilitation vs Reconstruction

Demolition and reconstruction may be appropriate where condition of home is very poor and the estimated cost of rehabilitation to achieve minimum HQS exceeds budget.

- ✓ Reconstruction requires a written feasibility analysis for approval by TDA.
- ✓ Reconstructed home must be on the same site and must be equivalent to the replaced structure.
- ✓ Reconstruction of a manufactured home will consist of a replacement manufactured home.

Lead-Based Paint Requirements

Homes built after 1977 are exempt from HUD lead-based paint regulations and procedures.

- Homeowner and the Grant Recipient's housing rehabilitation coordinator must certify pre-1977 construction of home on the *Status of Compliance with Lead-Based Paint Regulations* (new Form C-2a).
- For any other qualifying exemptions under 24 CFR §35.115, the Grant Recipient must complete the *Certification of Lead-Based Paint Exemption* (new Form C-2b)

Lead-Based Paint Requirements (cont'd)

Level of Hazard Reduction is based on the amount of federal assistance per housing unit:

- For all levels, homeowners must receive a HUD/EPA lead hazard information pamphlet, *Protect Your Family from Lead in Your Home*
- Up to \$5,000 – Lead safe work practice, paint testing on disturbed surfaces, and clearance by certified examiner.
- Between \$5,000 and \$25,000 – Risk assessment, paint testing, interim controls, and clearance by certified examiner.
- Over \$25,000 - Risk assessment, abatement by qualified contractor, and clearance by a certified examiner.

Steps in Housing Rehabilitation Project

- Adopt Guidelines and Appoint a Housing Rehabilitation Coordinator
- Conduct an environmental review of the TxCDBG contract target area.
 - ◊ Conduct site specific review of applicable federal laws and authorities once homes are selected.
- Screen applications for assistance
- Submit work write-ups for each home
 - ◊ Assessment of required work must be conducted by a qualified inspector licensed by the Texas Real Estate Commission or who has a minimum of five (5) years relevant construction experience.
- Execute promissory note for five-year forgivable loan with homeowner.
- Competitively procure qualified contractor(s)
- Conduct walk-through inspection with homeowner and contractor.
- Execute Certificate of Construction Completion

Common Pitfalls

- ☑ Execute promissory notes for funding before commencing construction.
- ☑ Follow the adopted Rehabilitation Guidelines.
- ☑ Recordkeeping - maintain complete, organized case files for each assisted home.
- ☑ Address homeowner complaints about construction work within the contractor's one-year warranty period.

What's New

- Amount of rehabilitation assistance per home increased from \$25,000 to \$50,000.
- Reconstruction permitted with TDA approval.
- Lead-based paint exemption forms, C-2a and C-2b.
- Person conducting work write-ups must demonstrate acceptable qualifications.

CHAPTER C

PART II

OSSF

OSSF Installation Projects

- Provides assistance to low-to-moderate income residents for installation of first-time on-site sewage facilities (OSSF) or replacement of substandard on-site sewage facilities (e.g. failing septic tanks, cesspools, privies).
- Installation procedures are subject to state law and regulations regulated by the Texas Commission on Environmental Quality.

OSSF Guidelines

Similar to Housing Rehabilitation Guideline requirements:

- ☒ The Grant Recipient must submit a draft of proposed OSSF Guidelines with their grant application.
- ☒ TDA must review and approve the Guidelines before they are implemented.
- ☒ The Grant Recipient's local governing body must officially adopt the Guidelines.
- ☒ Grant Recipient must administer the local program according to provisions of the adopted Guidelines.

Steps in Administration of OSSF Project

- ✓ Adopt Guidelines and Appoint a Housing Rehabilitation Coordinator
- ✓ Conduct an environmental review of the TxCDBG contract target area.
 - Conduct site specific review of applicable federal laws and authorities once homes are selected.
- ✓ Screen applications for assistance
- ✓ Conduct site evaluations of proposed OSSF installation sites by qualified soil evaluator.
- ✓ Competitively procure contractor (must be a licensed OSSF installer).
- ✓ TCEQ approved permitting authority issues OSSF permit.
- ✓ Abandoned septic system must be adequately decommissioned.
- ✓ Execute Certificate of Construction Completion.

CHAPTER D

Texas Capital Fund

Texas Capital Fund – Section D

Infrastructure & Real Estate Programs

- Provide funds to eligible Grant Recipients for infrastructure and/or real estate improvements that support a specific business (either a for-profit or a non-profit entity) that is expanding or beginning operations in the Grant Recipient's jurisdiction.

Eligible Use of Funds

- Acquiring, constructing, reconstructing, rehabilitating, or installing commercial or industrial buildings, structures, and other real property improvements;
- Railroad spurs or similar extensions by local Grant Recipients and sub-recipients;
- Public Infrastructure;
- Assisting a private, for-profit business; and
- Providing economic development services in connection with otherwise eligible CDBG economic development activities

LMI (Low/Mod) Jobs National Program Objectives

- Economic development activities designed to create or retain permanent, full-time jobs where at least 51% of the jobs involve the employment of low and moderate income (LMI) persons may qualify under the Job Creation or Retention criteria of the Low/Mod Benefit National Program Objective.
- The business and the Grant Recipient may elect to document income by certifications, referrals, or census tract data. Income limits can be obtained from TDA.

Documenting Jobs

Job creation requirements are computed on a Full Time Equivalent (FTE) basis as follows:

- Full time employee status requires a minimum work schedule of 35 hours per week.
- Part time employee status requires a minimum work schedule of 20 hours per week – two part time employees equal one FTE.

For an employee to be considered towards job creation requirements, the person must:

- Be employed at least 30 days prior to the submittal of closeout documents or contract expiration, whichever comes first; and
- Be employed at the location identified in the TxCDBG contract Performance Statement. Any request to train new employees at an alternate location prior to beginning work at the contract location must have prior written approval from TDA.

Documenting Jobs (Cont.)

Jobs **not** eligible to meet the National Objective include:

- Seasonal jobs,
- Temporary jobs,
- Contract labor jobs,
- Jobs transferred from other locations,
and
- Jobs held by principals of the
Benefitting Business(es).

Quarterly Reporting Requirements

- Quarterly Progress Report (Form D9)
 - Due the 20th of April, July, Oct. & Jan.
- Employee Certification Report (ECR) (Form D5) & Texas Workforce Commission's (TWC) Texas Employer's Quarterly Report
 - Due the 20th of May, Aug, Nov & Feb

Contract Special Conditions

In addition to the items listed in Chapter 2, the following documentation must be submitted prior to the release of TxCDBG grant funds for any activity:

- Starting Payrolls for the Benefitting Business(es) and/or other company locations
- Agreement between Grant Recipient and Benefitting Business(es)
- Repayment Agreement between Grant Recipient and TDA (if applicable)
- Repayment Agreement between Grant Recipient and Benefitting Business(es) (if applicable)
- For Real Estate Improvements: Lease Agreement between Grant Recipient and Benefitting Business(es)

Contract Special Conditions (Cont.)

In addition to the items listed in Chapter 2, the following documentation must be submitted prior to the release of TxCDBG grant funds for construction or real estate activities:

- Loan Agreement between Benefitting Business(es) and a lender for private funding required to complete the project (if applicable)
- Environmental Site Assessment (if applicable See Chapter 3)
- For Infrastructure Improvements: Evidence of the Start of Building Construction (if applicable)
- For Real Estate Improvements:
 - ✓ Tri-Party Agreement between Grant Recipient, Benefitting Business(es), and a lender (if applicable)
 - ✓ Appraisal for property to be purchased
 - ✓ Evidence of Flood Insurance for property to be purchased
 - ✓ Evidence of the owner's Title Insurance commitment for property to be purchased

Funds Committed by Business

These programs often include private investment which funds a project separate from the infrastructure construction funded by the grant. Work completed on private property and entirely with private funds may be excluded from many federal and program requirements; however, note that some federal regulations still apply.

- Environmental review must still include the privately funded work. The scope should include:
 1. All activities funded through the TxCDBG funds
 2. All activities conducted at the location where jobs will be created/retained
 3. All sites included in the TCF project
 4. All other activities conducted as part of the same overall project

Funds Committed by Business (Cont)

- Davis-Bacon Labor Standards requirements apply to the entire construction contract.
- If any acquisition of real property is required to meet the job creation/retention.
- If funds are used for materials or service contracts, even if the contract is primarily funded through private investment competitive procurement requirements apply.

Evidence of Occupancy

GR must notify TDA of the date that the business occupies the project site benefitting from the TCF funded infrastructure or real estate improvements within 60 days of occupancy.

- Certificate of Occupancy issued by appropriate local authorities to the business and a current payroll report for the benefitting business
- If a Certificate of Occupancy is not required by local authorities, the Grant Recipient may submit a letter from a third party licensed professional approved by TDA who is knowledgeable about required safety standards (i.e. a project engineer, an architect, a city/county inspector, or fire inspector) stating that a formal Certificate of Occupancy is not required and certifying the date that the benefitting business was approved to use the facility and/or improvements funded through the TCF grant.

Evidence of Occupancy (Cont.)

The date of occupancy will determine:

- the first date that jobs created or retained by the project may be considered eligible; and
- the date on which the first payment is due to TDA under the Repayment Agreement (3 months after the date of occupancy).

Repayment Requirements

TCF monies awarded for real estate improvements and private infrastructure awards will require repayment.
(excludes administration and engineering)

- Real Estate Improvements – are intended to be **owned** by the GR and **leased** to the business and require full repayment. Payments repaid by the business through a lease agreement.
 - minimum three year lease period or until the TCF contract between the Grant Recipient and the Department has been satisfactorily closed (whichever is longer);
 - lease period not to exceed twenty (20) years;
 - minimum monthly payment not less than \$500; and
 - payments begin the first day of the third month following the construction completion date.
 - Optional: purchase option, if the option is effective after the minimum five year ownership/dilution requirement, and if the purchase price equals (at a minimum) the remaining principal amount originally funded by the TCF which has not been recaptured

Repayment Requirements (Cont.)

Private Infrastructure Improvements -

Infrastructure that will be located on the business site, or on adjacent and/or contiguous property to the site that is owned or leased by the business(es), principals, or related entities, requires full repayment. Grant funds used for this infrastructure are intended to be repaid by the business through a repayment agreement with the following terms:

- no interest;
- not to exceed twenty (20) years;
- minimum monthly payment not less than \$500;
- and
- payments begin the first day of the third month following the construction completion date.

Contract Special Conditions – Prior to Close-out

The following items are required to be submitted no later than the date that the Project Completion Report is submitted.

1. Texas Department of Licensing and Regulation final approval letter for the project site identified in the TxCDBG contract Performance Statement;
2. Evidence of Hazard and Liability Insurance for the project site identified in the TxCDBG contract Performance Statement;
3. Final Payroll Report for the Benefitting Business(es)
 - a) The report must include all employees that were working for the business prior to the execution date of the Grant Recipient TCF contract AND all newly hired employees reported for job creation requirements.
 - b) The period reported on the final payroll must be at least 30 days prior to the TCF contract end date, but no more than 30 days prior to the date that closeouts are submitted if the closeouts are submitted before the contract expires. Sufficient documentation must be provided with the ending payroll to show that employees have been on the job for no less than one (1) month.

Contract Special Conditions – Prior to Close-out (Cont.)

- c) For **each employee** the report must contain at a minimum:

Full name;

- ✓ A unique Employee Identification Number, which must not include all or part of the employee's Social Security Number;
- ✓ Full-time and Part-time employment status;
- ✓ Date Hired;
- ✓ Wages; and
- ✓ Hours Worked.

4. *Family Income/Size Certification (Form D7)* for each LMI employee.

Closeout

- ☑ The Grant Recipient must submit the *TCF Project Completion Report (PCR)* (Form D1200) with attachments no later than 60 days after the contract end date.
- ☑ Job creation requirements are identified in both the contract between the TDA and the Grant Recipient and in the contract between the Grant Recipient and the business. The ending payroll documenting jobs created by the project must support Part III of the PCR.
- ☑ Any business that does not gather, complete and provide this data to both the Grant Recipient and TDA will not satisfy the National Program Objective to benefit low and moderate income families

Downtown Revitalization & Main Street Programs

The TCF Main Street Improvements and Downtown Revitalization Programs provide funds to eligible cities for infrastructure improvements in the central business district. These programs address the National Program Objective (NPO) of aiding in the elimination of slum or blighted areas.

Closeout - Downtown Revitalization and Main Street Programs

- The Grant Recipient must submit the *TCF Project Completion Report (PCR)* (**Form D1200**) with **attachments** no later than 60 days after the contract end date.
- Recent applications for Main Street and Downtown Revitalization programs have not allowed applicants to have an existing Main Street or Downtown Revitalization contract prior to an application deadline date, regardless of extensions granted. If a TxCDBG application requires applicants to close an existing grant contract prior to submitting an application for new funding, the Grant Recipient **MUST** submit complete closeout documentation no later than **60** days before the application deadline in order to allow for a thorough review of the documents and completion of a monitoring review.

Slum/Blight National Program Objectives

Economic development activities in the Main Street Improvements and Downtown Revitalization programs must qualify under the Slum/Blight National Program Objective Area Basis.

- The economic development activity must take place in an area that has been designated by the Grant Recipient as meeting a definition of a slum, blighted, deteriorated or deteriorating area under state or local law;
- Has a substantial number of deteriorated or deteriorating buildings or the public improvements are in a general state of deterioration; and
- The assisted activity must address one or more of the conditions that contributed to the deterioration of the delineated area.

Quarterly Reporting Requirements

- The Grant Recipient must submit a *Quarterly Progress Report (Form A104)* each quarter during the course of the TCF contract.
- The Grant Recipient must document the status of the contract activities (e.g. start of building construction, etc.) by reporting the dates that specific milestones are accomplished and providing narrative explanations as appropriate.

CHAPTER F

STEP

STEP

- Volunteer labor and available material
- Must Demonstrate 40% Cost Savings
- Section F STEP formerly Chapter 9

STEP – Eligible Activities

- Not Available for Complex Water/Sewer Improvements
- Eligible Activities
 - First-Time Water or Sewer Services
 - Taps or Meters
 - Replacement Sewer Lines
 - Easements, Right of Ways
 - Water/Sewer Improvement on Private Property
 - Limited Rental of Equipment
 - Reasonable Admin/Engineering Costs

STEP - Costs

Allowable Costs:

- ✓ Administrative/Engineering Services – Ch. 2 thresholds
- ✓ Materials – Use Ch. 5 Procurement methods
- ✓ Equipment Use
- ✓ Fuel costs
- ✓ Equipment Rental and associated Fuel Costs
 - Must be Cited in TxCDBG Contract and approved by TDA
- ✓ Contract labor (limited & approved by TDA)

Not Allowed:

- ✓ Construction supervision
- ✓ Force account services (considered donated)
- ✓ Equipment purchases

STEP – Pre-Construction Meeting

Meet after Procurement of Materials to discuss:

- Delivery of Materials
- Volunteer Work Schedules
- Equipment

STEP – Amendments/Modifications

- Follow Chapter 11 Contract Amendments
- If Substantial Changes, Include:
 - Revised Retail Cost Estimate with supporting doc
 - Revised Self-Help Estimate to verify 40% savings
 - Letter confirming continued use of Volunteers

STEP - Closeout

- Follow Chapter 12 Contract Closeout
- STEP Certificate of Construction Completion