

Local Planning Program

COMMUNITY DEVELOPMENT BLOCK GRANT – DISASTER
RECOVERY

Version 1: August 2025

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Version Log

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PROGRAM OVERVIEW

Introduction

The U.S. Department of Housing and Urban Development (HUD) allocated South Dakota \$15,375,000 in Community Development Block Grant-Disaster Recovery (CDBG-DR) funding to support long-term recovery efforts following the 2024 severe storms, straight-line winds, and flooding ([DR-4807](#)) experienced from June 16 to July 8, 2024 throughout South Dakota.

The Local Planning Program will utilize a portion of the allocated CDBG-DR funds to support the HUD designated most impacted and distressed (HUD MID) areas recover from DR-4807.

The purpose of this policy manual is to provide the overall objectives and process by which the South Dakota Governor's Office of Economic Development (GOED) will award CDBG-DR funds for the Local Planning Program.

Program Description

GOED's Local Planning Program will support disaster-impacted MID areas to better prepare for future disasters. Funding for the Local Planning Program will be directly allocated and managed through subrecipients. This program will provide critical planning funding to support MID area communities that are recovering from a disaster to update local disaster response plans, helping them to lay the groundwork for long-term resilience and prioritizing actions that reduce future vulnerabilities. By strengthening disaster and mitigation planning at the local level, the program empowers these communities to make informed decisions, improve preparedness, and better withstand future disasters.

Administration

GOED will serve as the lead agency for the allocation of funds to eligible subrecipients.

Funding Amounts

\$400,000 in CDBG-DR funds will be available for the Local Planning Program.

GRANT REQUIREMENTS

Eligible Activities

The state planning activity described in HCDA Section 105(a)(12) have been waived and expanded to the extent necessary to be consistent with those of the CDBG entitlement grantees identified in [24 CFR 570.205](#). In general plans will be considered eligible if they are consistent with the categories established in 24 CFR 570.205 and the plan lays the groundwork for long-term resilience and prioritizing actions that reduce future vulnerabilities.

Funding can support all aspects of the planning process including data gathering, studies, analysis, and preparation of plans and the identification of actions that will implement such plans.

Below is an idea of the types of eligible plans and planning tools.

Local Disaster Response Plans

Local disaster response plans outline how a jurisdiction will organize and coordinate resources before, during, and after a disaster. These plans may include roles and responsibilities for emergency personnel, sheltering strategies, supply distribution, communications protocols, and coordination with tribal, county, state, and federal partners. Updates to these plans should reflect current vulnerabilities and capacity gaps revealed during DR-4807.

Evacuation Plans

Evacuation plans provide guidance on how communities can safely and efficiently evacuate residents during emergencies. Planning activities may include identifying evacuation routes, transportation needs (particularly for vulnerable populations), shelter locations, and public communication strategies. Plans should account for flood-prone areas and infrastructure limitations that were exposed during DR-4807.

Emergency Operations Plans (EOPs)

EOPs provide a comprehensive framework for all phases of emergency management—preparedness, response, recovery, and mitigation. Funding may be used to develop or revise these plans to integrate hazard-specific annexes related to flooding and severe storms, clarify incident command structures, and ensure coordination across jurisdictional boundaries.

Continuity of Operations Plans (COOPs)

COOPs help ensure that essential government services can continue during and after a disaster. Planning activities may include identifying critical staff and facilities, IT backup protocols, alternate operating locations, and internal communication plans. These plans help maintain government functionality during emergencies and promote faster recovery.

Emergency Communications Plans

Emergency communications plans identify methods and systems for informing the public and coordinating among agencies during a disaster. Planning activities may address gaps in notification systems, language accessibility, coordination with tribal governments, and backup communication strategies in the event of power or infrastructure failure.

Mapping and Modeling

Mapping and modeling activities are eligible uses of planning funds. These activities may be used to collect, analyze, and present data in ways that support a variety of plan types. Examples include hazard maps, floodplain maps, evacuation route maps, infrastructure maps, and scenario modeling.

National Objectives

The Universal Notice in Section III.C.2, outlines an alternative requirement for States regarding planning activities. They are permitted to follow the rules for entitlement jurisdictions. Therefore, plans are considered to meet a national objective as long as the planning efforts are consistent with the plans described at 24 CFR 570.205.

Disaster Tie-back

South Dakota communities impacted by DR-4807 experienced widespread flooding and storm damage that revealed critical gaps in local disaster preparedness and response planning. The Local Planning Program will directly support these Most Impacted and Distressed (MID) areas as they recover, by providing funding to update and strengthen local disaster response and mitigation plans.

This targeted planning support will help communities incorporate lessons learned from DR-4807, identify local vulnerabilities, and prioritize actions that reduce the risk of future storm and flood impacts. By investing in local planning capacity, the program lays the foundation for long-term resilience and empowers communities to make informed decisions, improve coordination, and enhance their ability to withstand future disasters.

Eligible Areas

Eligible activities will be restricted to projects located within the HUD-designated MID ZIP codes (57038, 57049) within Union County.

Eligible Applicants

Eligible subrecipients will be units of general local government. Subrecipients may partner with local universities or non-profit partners as co-applicants to the program. If applying with a co-applicant, the subrecipient must have a written agreement or memorandum of understanding (MOU) in place with the co-applicant that outlines roles, responsibilities, and terms of the partnership.

Ineligible Costs

The following activities as identified in 24 CFR 570.207 are not eligible costs for the program:

- General government expenses: Expenses required to carry out the regular responsibilities of the unit of general local government are not eligible for

assistance.

- Political activities: CDBG-DR funds cannot fund the use of facilities or equipment for political purposes or to engage in other partisan political activities, such as candidate forums, voter transportation, or voter registration.

APPLICATION PROCESS

The Local Planning Program is a non-competitive, first-come, first-served program. Applicants will be eligible for funding provided eligibility criteria are met and funding is available.

Announcement of Funding Availability

GOED will announce funding availability by directly notifying eligible applicants via email. The announcement will also be posted on the GOED website and social media platforms.

GOED will host an application workshop to provide an overview of the program goals and objectives, the application and scoring process, and required documentation, and to offer a forum for questions.

Applicants will have an opportunity to attend a one-on-one meeting with GOED staff to discuss their project and the application requirements prior to submittal.

Throughout the entire application cycle, technical assistance also is available by sending inquiries to Stephanie Deyo at stephanie.deyo@state.sd.us. GOED will respond to all inquiries in a timely manner.

Public Hearing Requirement

Applicants are required to solicit public feedback on the projects for which they are applying for funding by holding a public hearing. The notice of the public hearing should be published or posted for review no less than 7 days prior to the hearing. If awarded, applicants will be required to host an additional public hearing before closing out the project.

Public hearings can be held in conjunction with other public meetings. The meeting notice should be posted in a newspaper of general circulation. The public hearing must include discussion of the following:

- The amount of CDBG-DR funds requested;
- The range of activities that may be undertaken with the CDBG-DR funds;
- The estimated amount of the CDBG-DR funds proposed to be used for activities that will meet the national objective of benefit to low and moderate income persons; and
- The proposed CDBG-DR activities likely to result in displacement and the unit of general local government's anti-displacement and relocation plans required under § 570.488.

Applicants will be required to provide proof the public hearing was held including:

- A copy of the public hearing notice.
- Meeting minutes, including comments and responses

Application

Applicants will apply for the program by completing the application provided by the GOED. Additionally, GOED will offer information and guidance on the application process and requirements. Applicants are allowed to submit multiple applications during the application window and must submit separate applications for each individual project.

Applicants have until the deadline to submit all required application materials. Only completed applications, including all required supporting documentation, will be considered for funding. Applications will only be accepted during the published application window.

All applicants will submit the following additional documents with the application:

- Authorizing Resolution appointing a Project Authorized Official
- Anti-Lobbying Certification
- Drug Free Workplace Policy
- Signed Applicant/Recipient Disclosure Report/Update
- Equal Employment Opportunity Policy
- Resolution Assuring Fair Housing
- Code of Conduct Policy
- Excessive Force Policy
- Federal Funding Accountability and Transparency Act (FFATA) Certification
- CDBG-DR Regulatory Assurances Form

For more information about these requirements please reference the CDBG Grant Administration Handbook, Chapter 1 General Requirements.

Eligibility Criteria

Each application must address the following eligibility criteria. More information about eligibility criteria and additional documentation needed as part of the application is included within the application guidance materials.

Description of the Planning Activity

Applications must include descriptions of the proposed plan. Applicants must also identify a need for the plan and the eventual goal and outcome of the plan on the community. Applicants will be required to provide a detailed narrative of what they intend to accomplish with the grant including a scope of work, proposed budget for plan, a timeline

to complete the plan, and anticipated benefits to the community, including detailed description of risk reduction the deliverable will promote within the community.

Planning Location

Demonstration that the plan will benefit the HUD-identified MID ZIP codes.

Tie-back and Mitigation

Demonstration that the plan is in response to the disaster and will be used to mitigate future disasters impacts.

Eligibility

Demonstration that the project is an eligible planning activity consistent with the categories established in 24 CFR 570.205 and the plan lays the groundwork for long-term resilience and prioritizing actions that reduce future vulnerabilities.

Capacity

The applicant demonstrates the capacity to manage the grant funding.

Budget

Submissions must include a proposed project budget with a detailed description of anticipated costs by category, including support services, program management, and administration. Explanations of how funding request amounts were determined must be included. The budget also will show the anticipated sources of funding. Applicants should develop a feasible budget that includes CDBG-DR funds, local funds, and any committed sources. The commitments of the funding sources should be documented and included with the application.

Cost-Effectiveness

Planning program applications must demonstrate that proposed activities are cost-effective and provide clear value for the funds requested. GOED will evaluate the cost reasonableness of the proposed budget.

Timeline

Applicants must include a project timeline for completion with milestones. All projects funded under the Local Planning Program must be completed within two (2) years of grant award unless another timeframe is negotiated with GOED and incorporated into the grant agreement.

REVIEW AND SELECTION PROCESS

Application Review

Receipt of an application will be followed by an evaluation of the application criteria to determine if the submission is complete and whether the applicant and proposed plan is eligible for funding. The Local Planning Program is non-competitive and operates on a first-come, first-served basis. Applicants will be eligible for funding provided all criteria are met and funds are available. Additional information about the application process, required supporting documents, and review guidance will be included in the application guidance materials.

Clarifications

During the application review process, applicants are required to respond in a timely manner to any GOED requests for information/materials to complete the evaluation process. Any request for additional information will include a definitive due date for return of the requested information. If the applicant needs an extension, clarification, or assistance, the applicant may make its request within the allotted response timeframe. If an applicant fails to provide the requested information/materials or fails to ask for an extension or assistance, the application will be scored accordingly and there will be no additional opportunity to submit the requested materials.

Appeals

All appeal requests related to program activities are processed and reviewed by GOED. Initial review of the appeal will be conducted by a panel made up of GOED staff. This staff is independent from the group that originally made the decision being appealed. Each appeal will be reviewed against program policies and requirements. The panel will make a recommendation to GOED Leadership which will approve the final selection.

Appeal requests to GOED must be postmarked within 10 calendar days of the date of service on the original correspondence communicating the decision to be appealed. Appeals must be submitted in writing to: Governor's Office of Economic Development, Attention: CDBG-DR, 711 East Wells Avenue, Pierre, SD 57501.

The applicant's written request should contain the following information:

- Applicant's name
- Applicant's mailing address
- Applicant's telephone number
- Email address (if available)

- The reason(s) the decision or action is being appealed
- Documentation that supports the request to overturn the decision

The applicant shall be notified of the final determination in writing via certified mail.

GRANT AWARD

Notice of Award

Once award amounts are determined, GOED will send a Notification of Award to successful applicants, which is a preliminary offer to enter into a grant agreement. Execution of a grant is contingent upon both parties' agreement regarding the terms and conditions. Awards will be considered final upon receipt of a signed grant agreement between GOED and the applicant.

Prior to an award a duplication of benefits review will take place as well as a determination of cost reasonableness and verification that the CDBG-DR award will not supplant funding for the project from other sources.

Duplication of Benefits Review

Section 312 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act prohibits any person, business, or other entity from receiving duplicative financial assistance for the same disaster recovery purpose from multiple sources of federal and other support (42 United States Code [U.S.C.] 5155(a) and (c)). Duplication occurs when a beneficiary receives assistance from multiple sources for a cumulative amount that exceeds the total need for a particular disaster recovery purpose. The amount of the duplication is the amount of assistance provided in excess of need.

Per CDBG-DR regulations, the program's subrecipients are required to disclose all other benefits (e.g., cash, in-kind, grants, loans) received, or which will be received for the proposed project to ensure that federal funds do not duplicate funds received from other sources.

Applicants will be required to list and provide documentation regarding other sources of funding they have received. Typical sources of duplication of benefits (DOB) include, but are not limited to, the following:

- Federal Emergency Management Agency (FEMA) Public Assistance
- FEMA Hazard Mitigation Grant Program
- FEMA National Flood Insurance Program
- FEMA Increased Cost of Compliance Benefits
- U.S. Army Corps of Engineers
- Commercial insurance
- State funding

- subsidized loans
- Capital budgets

GOED will review the information provided and complete a DOB analysis as part of the application review process. Any duplicative assistance will be deducted from the CDBG-DR award amount. Another DOB review will be performed at grant closeout.

The Duplication of Benefits Policy can be found in the CDBG Administrator Handbook, CDBG-DR addendum.

Supplanting of Funds

Another form of duplication of benefits is using CDBG-DR funds to supplant funds already budgeted for a project. These include City, County, FEMA, State, and U.S. Army Corps of Engineers (USACE) funding. GOED will verify that CDBG-DR funds will not be used for activities reimbursable by, or for which funds are made available by, FEMA or USACE. GOED will require applicants to certify that the CDBG-DR funds will not supplant other available funding that has been budgeted or in the case of FEMA and USACE made available to the applicant.

Cost Reasonableness Evaluation

Projects funded must be considered necessary and reasonable. Costs are considered reasonable if, in their nature and amount, they do not exceed that which would be incurred by a prudent person in the conduct of competitive business. Analytical techniques and procedures may be used to ensure that final costs are fair and reasonable, such as a cost analysis detailing the individual cost elements of projects to certify elements such as necessity, pricing, and consistency.

GRANT AGREEMENT

Grant Agreement Terms and Conditions

A written grant agreement will be provided to the subrecipient before any disbursement of CDBG-DR funds. At a minimum, the agreement will include a statement of work, schedule of activities and milestones, budget, record and reporting requirements, recapture of funds guidance, and so forth. Prior to the execution of the grant agreement, recipients will have a period of time to review the terms and conditions for their project(s).

Funding will be provided as a grant to subrecipients on a cost reimbursement basis according to the terms identified in the grant agreement. Subrecipients must verify all costs before submitting invoices to GOED for reimbursement and provide all required reporting and supporting documentation requested by GOED.

Timely Expenditures and Project Completion

To ensure that projects are completed within the required CDBG-DR grant timeline, GOED will impose a period of performance for projects which will be identified in the grant agreement. Applicants will be required to submit a project schedule that details specific milestones and spending timelines. On a quarterly basis, GOED will require applicants to provide a status report on whether the project is on schedule and identify any risks, if applicable.

The period of performance will commence upon execution of a grant agreement between GOED and the subrecipient. GOED also may approve extensions to the period of performance, contingent upon the overall grant timeline and HUD approval, provided the subrecipient demonstrates that good cause exists. Should a project's timeline exceed the overall grant expenditure deadline, extension of the period of performance will be subject to HUD approval. HUD may extend the period of performance administratively if good cause for such an extension exists at that time, as requested by GOED, and approved by HUD.

The Timely Expenditure policy can be found in the CDBG Administrator Handbook CDBG-DR addendum.

Grant Agreement Modifications and Extensions

Subrecipients may request a grant amendment to extend the period of performance, for scope changes, or for budget changes that affect the CDBG-DR grant award. GOED will review the submission and determine whether a grant amendment is warranted.

Subrecipients must submit the request for a grant amendment as soon as the need is identified. Requests can be submitted at any time, but no later than 90 days prior to the termination date of the grant agreement.

Subrecipients should follow the guidance found in Chapter 4: Financial Management in the CDBG Grant Administration Handbook.

PAYMENT AND REPORTING

Quarterly Performance Reporting

In order to meet the HUD requirement for submitting the Disaster Recovery Grant Reporting System (DRGR) Quarterly Performance Report, GOED will require subrecipients to provide quarterly progress update reports. This performance report shall be submitted to GOED at a due date and in a format specified in the subrecipient grant agreement. These reports will provide:

1. General Information – a comprehensive narrative on project progress, meeting milestones, and progress on performance metrics.

2. Financial Information - current expenditure of federal funds and any other funds being utilized

Other Reports

There are a series of other reports that are required including financial reporting. For other reporting, subrecipients should follow the guidance found in the CDBG Grant Administration Handbook, Chapter 7, Reporting and Recordkeeping.

Request for Payments

Subrecipients will be responsible for billing GOED for invoiced costs. Before the submission of costs to GOED, subrecipients must verify that vendor invoices are accurate and complete, the activities and costs were incurred during the period of performance, and all required support documentation is included in the payment package.

GOED will develop a comprehensive review structure to monitor draw requests and reconcile any issues that may arise as a result. The quality assurance/quality control process will involve the following:

- Documentation reviews and data collection during the draw review process
- Program expenditure and draw request review for eligibility based on applicable laws, CDBG-DR requirements, and CDBG regulations
- Follow-ups regarding identified compliance issues, initiation of corrective actions, and implementation of program controls, as necessary

Subrecipients should follow the guidance found in Chapter 4: Financial Management in the CDBG Grant Administration Handbook.

Pre-Award Expenses

Project expenses incurred before the effective date of the grant agreement are eligible for reimbursement on a case-by-case basis. Eligibility for reimbursement is contingent upon the costs being otherwise eligible expenses of this program that are in compliance with all applicable requirements (including procurement and environmental review requirements) and with the statutory and regulatory requirements in effect at the time that the costs are charged.

IMPLEMENTATION

General Requirements

General requirements are listed in the CDBG Grant Administration Handbook, Chapter 1 General Requirements.

Procurement Requirements

All procurements funded, in whole or in part, with CDBG-DR funds must comply with Chapter 3 Procurement in the CDBG Grant Administration Handbook. Subrecipients are required to comply with the requirements of 2 CFR 200.318 – 327.

Environmental Review

Planning must be in compliance with the National Environmental Policy Act (NEPA), and other related Federal and state environmental laws. Planning is Categorically Excluded Not Subject to (CENST) Section 58.5 pursuant to 24 CFR Part 58.34(a)18 and 58.35(b)19. The CENST was completed by the subrecipient.

These laws and authorities are referenced in the HUD and NEPA regulations and are listed in the CDBG Grant Administration Handbook in Chapter 2: Environmental Review.

Financial Management

The subrecipient is responsible for administering the program grant award and requires a sound financial management system. The key principles of financial management are common to all types of organizations and include sound financial management systems, internal controls, allowability of costs, use and tracking of program income, and audits.

The CDBG regulations, which also are applicable to CDBG-DR funding, require subrecipients who are governmental entities or public agencies to adhere to certain administrative and financial management requirements. In addition to the CDBG regulations at 24 CFR 570.489, which contain the basic program administrative requirements, the Federal Register Notice contains the specific waivers and alternative requirements for the use of the disaster recovery funds. Additionally, 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, which was adopted by HUD at 2 CFR 2400 and clarified applicability at 24 CFR 570.502, also applies.

The financial management requirements are described in greater detail within CDBG Grant Administration Handbook in Chapter 4, Financial Management.

Internal Controls

Internal controls refer to the combination of policies, procedures, defined job responsibilities, personnel, and records that allow an organization (or an agency) to maintain adequate oversight and control of its cash, property, and other assets.

The soundness of any subrecipient's financial management structure is determined by its system of internal controls. Specifically, internal controls refer to the following:

- Effectiveness and efficiency of operations

- Reliability of financial reporting
- Compliance with applicable laws and regulations

With a sound internal control system, a subrecipient can ensure that:

- Resources are used for authorized purposes and in a manner consistent with applicable laws, regulations, and policies.
- Resources are protected against waste, mismanagement, or loss.
- Information on the source, amount, and use of funds is reliable, secured, and up-to-date, and this information is disclosed in the appropriate reports and records.

As part of an effective internal control system, one person should be designated as the primary person at the subrecipient organization responsible for the financial management of a CDBG-DR project. This person should be familiar with their organization's accounting system and how the accounting of CDBG-DR funds is integrated into the subrecipient's existing system. Refer to 2 CFR 200.303 for more information.

Conflict of Interest

No persons who is an employee, agent, consultant, officer, or elected official or appointed official of the recipient, or of any designated public agencies, or of subrecipients that are receiving funds under this part who exercise or have exercised any functions or responsibilities with respect to CDBG-DR activities assisted under this part, or who are in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from a CDBG-DR-assisted activity, or have a financial interest in any contract, subcontract, or agreement with respect to a CDBG-DR-assisted activity, or with respect to the proceeds of the CDBG-DR-assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for 1 year thereafter.

For more information about these requirements please reference the CDBG Grant Administration Handbook, Chapter 1 General Requirements.

Equal Opportunity

Through the use of CDBG-DR funding, no person should be excluded, denied benefits, or subjected to discrimination on the basis of their race, color, national origin, sex, disability, or age. GOED and its subrecipients may not discriminate in any of the following areas: deciding who will be admitted or have access to any CDBG-DR-funded program or activity; providing opportunities in or treating any person with regard to such a program or activity; or making employment decisions in the administration of or in connection with such a program or activity.

GOED and the subrecipients must administer and fund programs that are in conformity with Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair Housing Act (42 U.S.C. 3601–3619), and implementing regulations, and will affirmatively further fair housing.

More information about audit requirements can be found in the CDBG Grant Administration Handbook in Chapter 1, General Requirements.

Prevention of Fraud, Waste, and Abuse

This program will be monitored periodically by GOED to ensure compliance with all federal and State requirements. A subrecipient must agree to return all unexpended funds and improper payments to GOED in the event of fraud, waste, or mismanagement and/or substantial noncompliance with the guidelines. Complaints regarding fraud, waste, or abuse of funds will be forwarded to the HUD Office of the Inspector General Fraud Hotline (phone: 1-800-347-3735 or email: hotline@hudoig.gov).

The Prevention of Fraud, Waste, and Abuse Policy can be found in the CDBG Administrator Handbook CDBG-DR addendum.

Recordkeeping

It is important that the subrecipient fully document compliance with all applicable regulations. This is accomplished through maintaining comprehensive records and submitting all necessary reports.

The filing system should be easy to use and should provide a historic account of activities for examination and review by HUD, GOED, auditors, and local staff. These entities must have access to any pertinent books, records, accounts, documents, papers, and other property that is relevant to the grant. Certain records must be available to the public as well. However, subrecipients must keep files that contain personal information, such as social security numbers, in a secure place.

Records must be retained according to 24 CFR 570.490(d) for the greater of three years from closeout of the grant to the state.

For guidelines on recordkeeping please reference Chapter 7, Reporting and Recordkeeping in the CDBG Grant Administration Handbook.

MONITORING AND CLOSEOUT

Program Monitoring

All subrecipients must implement strategies to closely monitor operations in order to increase efficiency, be compliant with applicable rules and regulations, and improve the overall quality of services and the use of funds.

For more details on monitoring requirements and procedures, refer to the CDBG Grant Administration Handbook in Chapter 8, Closeout Monitoring.

Audit Requirements

All audits must be conducted in accordance with 2 CFR Part 200 and must be performed in accordance with Generally Accepted Government Auditing Standards (GAGAS) (see 2 CFR 200.514(a)). According to GAGAS, a financial audit should determine whether:

- Financial information is presented in accordance with the established or stated criteria.
- The entity has adhered to specific financial compliance requirements.
- The entity's internal control structure over financial reporting and/or safeguarding assets is suitably designed and implemented to achieve control objectives.

In conducting an audit, the subrecipient **must** supply the following information to the auditor at the beginning of each audit:

- A copy of the grant information sheet received with the grant agreement
- A copy of the grant agreement
- A copy of all draw requests processed during the fiscal year
- A copy of the monitoring letter if one was issued during or affecting the fiscal year being audited
- A copy of the community's most recent budget, which includes the CDBG-DR funds for the fiscal year
- The location of CDBG-DR project records and the name and phone number for a contact person.

More information about audit requirements can be found in the CDBG Grant Administration Handbook in Chapter 4, Financial Management.

Recapture of Funds

The review of program expenditures may identify a situation that would require the recapture of grant funds. Under the circumstances listed below, applicants may be required to repay all or a portion of the assistance received. The reasons for grant recapture include, but are not limited to, the following scenarios:

- An applicant is determined to have provided false or misleading information to the program.
- An applicant withdraws from the program prior to completion of the project. (Withdrawal from the program must be in writing or via email.)
- The project is not completed due to non-cooperation by the applicant.
- The applicant did not comply with the approved scope of work in a manner that made the project eligible.

- The applicant failed to report the receipt of any additional funds received after a DOB analysis was conducted.

All applicants who have been identified for the recapture of program funding will not be able to close out of the program until all funds have been repaid to the program.

Closeout

When executing closeout procedures, the subrecipient must hold a public hearing to discuss the program closeout as the funds are depleted. The Project Completion Report and back-up documentation must be completed, the national objective must be met, there cannot be any outstanding compliance review findings on the project, and all required audits must be approved.

The project will be ready for closeout when the following conditions are met:

- All eligible activities are completed in accordance with the scope of work agreed upon within the signed grant agreement, as modified and as certified by an engineer.
- All funds are expended in full or the remaining funds are intended to be returned to HUD.
- All reporting requirements are completed.
- Any special conditions of the program are met.
- All audit and monitoring issues are resolved.
- A final duplication of benefits check has been performed.
- All closeout forms are submitted

More information about audit requirements can be found in the CDBG Grant Administration Handbook in Chapter 8, Monitoring and Closeout.

Subrogation

Subrecipients must agree to subrogate (commit to GOED) any future payments that they may receive after the award amount is determined from sources that represent a potential DOB. The subrogation agreement requires the applicant to notify GOED if additional funds are received. The subrecipient will provide GOED with a description of the funding received. GOED will verify the complete a DOB analysis to determine whether the funds received are duplicative. If the funds received are deemed duplicative, the applicant is required to return the funds to GOED.