FORM 8-3: SAMPLE MONITORING LETTER

August 25, 2025

Mr. John Doe, Mayor
Town of Rural
50 North 5th Street
Rural, SD 57401

RE: Community Development Block Grant: CDBG-2022-101

Dear Mayor Doe:

The Governor's Office of Economic Development (GOED) has conducted a monitoring review of the grant awarded to the **Town of Rural** for a **wastewater improvement project**. The review was conducted by **Stephanie Deyo**, CDBG Program Manager on **July 28, 2025,** with Jane Smith, Director, Regional Planning Commission. The monitoring review is designed to assess your organization's performance and compliance with applicable Federal requirements. Program performance was assessed through a review of project files, policies and procedures, and staff interviews. The purpose of this letter is to transmit GOED's monitoring report, which provides the details of our review. GOED's review of these areas of program performance may result in the identification of Findings, Concerns, or no deficiencies.

A Finding is a deficiency in program performance based on a violation of a statutory or regulatory requirement, or a written GOED policy. A Concern is a deficiency in program performance that is not based on a statutory or regulatory requirement but is brought to the grantee's attention. Corrective Actions to address the noncompliance are identified for all Findings. Recommended Corrective Actions are identified for Concerns.

The enclosed report contains **three Findings and one Concerns.** Within 30 days from the date of this letter, you must provide information demonstrating that you have met the requirements of each Finding. Your written communication should provide supporting information to demonstrate that the requirement has been met. While a response is not required for Concerns, we appreciate any information you would like to provide us on how you are addressing the concern.

If you fail to respond within 30 days, GOED will halt all payments on open CDBG contracts, and the community will be ineligible for additional CDBG grants until all findings have been resolved.

Sincerely,

Stephanie Deyo

Stephanie Deyo, CDBG Program Manager

FORM 8-3: SAMPLE MONITORING LETTER

STATUS OF PROJECT

At the time of monitoring, the project was complete.

INITIAL REQUIREMENTS

Requirements listed in the Initial Requirements section of the CDBG Monitoring Checklist have been reviewed prior to approval of the Grantee's first draw request.

CITIZEN PARTICIPATION

The purpose of this review is to ensure that the Grantee has documentation that the required 2nd public hearing (and any additional public hearings) were advertised and conducted in accordance with 24 CFR 570.486 and CDBG Citizen Participation Requirements for Local Governments manual.

Records Reviewed: The records included all applicable items listed in the Citizen Participation section of the CDBG Monitoring Checklist.

Determination: No findings noted.

ACQUISITION/RELOCATION

The Grantee's files were reviewed for compliance with the Federal Uniform Relocation and Real Property Acquisition Policies Act (URA), 49 CFR Part 24, Subpart B and 24 CFR 570.610 of the Code of Federal Regulations.

Records Reviewed: The records included all applicable items listed in the Acquisition and Relocation sections of the CDBG Monitoring Checklist.

Determination: No findings noted.

ENVIRONMENTAL REVIEW

The files were reviewed for compliance with Section 104(g) of the HCDA of 1974 and HUD's implementing regulations found at 24 CFR Part 58 prior to the Grantee's first draw request.

No activities or project sites have changed from those cleared in the original Environmental Review Record; therefore, the Environmental Review Record remains relevant and complete.

Determination: No findings noted.

FORM 8-3: SAMPLE MONITORING LETTER

FINANCIAL MANAGEMENT

A review of the financial management records of the Grantee's CDBG Project was conducted to determine that the funds received under the federal award comply with all applicable statutory and regulatory provisions, are spent only on reasonable and necessary costs of implementing the project/program and are not used for general governmental expenses as provided by 24 CFR 570.489(d). In addition, the financial records were reviewed for compliance with the standards for financial management systems found in the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards [2 CFR 200.300-309].

Records Reviewed: The records included all applicable items listed in the Financial Management section of the CDBG Monitoring Checklist.

Determination: Finding #2
In reviewing the financial records, it was noted that the Grantee did not disburse funds within the required 3-day period for Request for Payment #5 and #6.

Corrective Action Required:
The Grantee must submit a letter, on Grantee letterhead, explaining the reason for the delay and the steps the Grantee will implement to ensure compliance with all CDBG Financial Management policies in the future. The Grantee must also include information documenting any interest received on CDBG grant funds between receipt and disbursement.

FAIR HOUSING/EQUAL OPPORTUNITY

The Grantee's files were reviewed for compliance with Section 104(b)(2) and Section 109 of the HCDA of 1974, as amended and the implementing regulations found at 24 CFR 570.601, 24 CFR 570.602, 24 CFR 570.607, and 24 CFR Parts 1, 3, 6, 8, and 9.

Records Reviewed: The records included all applicable items listed in the Fair Housing/Equal Opportunity section of the CDBG Monitoring Checklist.

Determination: No findings noted.

PROCUREMENT

The Grantee's files on procurement were reviewed for compliance with the requirements of 2 CFR 200.318-326: Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, the South Dakota Bid Booklet, and the CDBG Handbook.

Records Reviewed: The records included all applicable items listed in the Procurement section of the CDBG Monitoring Checklist.

FORM 8-3: SAMPLE MONITORING LETTER

Determination: Concern #1
GOED is concerned that the Grantee did not have copies of all bid documents and contract documents within the CDBG project file. GOED recommends keeping copies of all documents related to the CDBG project in the project file.

Recommendation: Concern #1
A central project file should be established containing all compliance documentation. All project documentation and correspondence can be placed in this file for protection and ease in reporting to parties involved.

LABOR STANDARDS

As required by Section 110 of the HCDA of 1974, a review of files was conducted to ensure compliance with the federal labor standards for federally assisted construction contracts found in 29 CFR Parts 3 and 5 and HUD Handbook 1344.

Records Reviewed: The records included all applicable items listed in the Labor Standards section of the CDBG Monitoring Checklist.

Determination: Finding #1
The Statements of Compliance for the payrolls of 123 Construction, Inc. were signed by Ms. Jane Doe, payroll clerk. Per 29 CFR 3.3(b), all Statements of Compliance must be signed by a company official or an "authorized" payroll signor as required in Chapter 5: Labor Standards of the CDBG Grant Administration Handbook.

Corrective Action Required:
The Grantee must submit a copy of the written authorization from 123 Construction, Inc. designating Ms. Doe as the authorized payroll signor, OR, revised weekly payrolls with Statements of Compliance signed by an officer of 123 Construction, by June 1, 2025.

SECTION 3 COMPLIANCE

The Grantee's files were reviewed for compliance with Sections of the Housing and Community Development Act of 1974, as amended, and implementing regulations found at 24 CFR Part 75.

Records Reviewed: The records included all applicable items listed in the Section 3 section of the CDBG Monitoring Checklist.

Determination: No findings noted.

FORM 8-3: SAMPLE MONITORING LETTER

ELIGIBILITY AND NATIONAL OBJECTIVE

The purpose of the fundability review is to ensure that the Grantee can demonstrate that each activity that was funded meets a national objective in accordance with 24 CFR 570.483 and is an eligible activity as defined in Section 105(a) of the Housing and Community Development Act, both at the time of the contract award and at the time of project completion.

Records Reviewed: The records included all applicable items listed in the National Objectives section and the Eligible Activities section of the CDBG Monitoring Checklist.

Determination: No findings noted.

REPORTING/CLOSEOUT

The Grantee's and GOED's files were reviewed for compliance with the reporting and closeout requirements as discussed in the CDBG Grant Handbook.

Records Reviewed: Form 4-3: Interim Financial Reports, Form 5-10: Semi-Annual Labor Standards Reports, Form 7-1: Semi-Annual Reports, Form 8-2: Project Monitoring/Administrative Closeout,

Determination: Finding #3
The Grantee failed to submit Form 7-1: Semi-Annual Reports by the published deadline for periods ending June 30 and December 31, 2024. The Grantee failed to submit Form 8-2: Project Monitoring/Administrative Closeout Certification within 60 days of their final draw.

Corrective Action Required:
The Grantee must submit a letter to GOED, on municipal letterhead, explaining the reason for non-compliance and what procedures they will adopt in the future to avoid similar findings.

RECORDKEEPING

The Grantee's general recordkeeping system was reviewed for compliance with 24 CFR 570.490 and GOED's policies as outlined in the CDBG Grant Handbook.

Records Reviewed: A general review of all project files was conducted.

Determination: Concern #1 (see Procurement above)
GOED is concerned that the Grantee did not have copies of all bid documents and contract documents within the CDBG project file. GOED recommends keeping copies of all documents related to the CDBG project in the project file.

FORM 8-3: SAMPLE MONITORING LETTER

Recommendation: Concern #1 (see Procurement above)
A central project file should be established containing all compliance documentation. All project documentation and correspondence can be placed in this file for protection and ease in reporting to parties involved.

CONCLUSION

After a full project review, GOED has identified **three Findings and one Concern.**