CDBG GRANT ADMINISTRATION HANDBOOK

Updated May 2026

Chapter 8 – Monitoring and Closeout

South Dakota Community Development Block Grant Program

GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT

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GRANTEE MONITORING

INTRODUCTION

Grantees under the South Dakota Community Development Block Grant (CDBG) program are responsible for selecting, planning, and administering their CDBG projects and activities in accordance with the Federal and State statutory and regulatory requirements set forth in the grant contract executed between the State and the Grantee. The Governor's Office of Economic Development (GOED) has the responsibility to ensure that Grantees are carrying out their projects in accordance with these requirements.

GOED will provide maximum feasible delegation of responsibility and authority to Grantees under the CDBG program. To this end, GOED will help Grantees identify problems in project implementation and will assist in identifying possible causes and corrective measures. GOED monitoring of CDBG Grantees will be conducted in a positive, assistance-oriented manner. Whenever possible, deficiencies will be rectified through constructive discussion, negotiation, and assistance, and in a manner which preserves local discretion.

A project monitoring session will be conducted at the conclusion of the project after closeout documentation has been received at the GOED office.

PURPOSE OF MONITORING

The purpose of monitoring is to determine whether Grantees have:

- Carried out their CDBG project activities as described in their applications and/or contracts;
- Carried out their project activities in a timely manner, in accordance with adopted project schedules;
- Charged costs to the projects which are eligible under applicable regulations;
- Complied with the requirements and primary objectives of the CDBG program and other applicable laws, and with the terms of the contract;
- Conducted the program in a manner that minimizes the opportunity for fraud, waste and mismanagement; and
- Had a continued capacity to carry out community development activities in a timely manner.

Monitoring is also intended to assist Grantees in improving performance, developing self-reliance, and increasing management capacity.

TYPES OF MONITORING

This office may conduct up to two types of monitoring: desk monitoring, and project monitoring.

Desk Monitoring

Desk monitoring is an ongoing process in which the project administrator responsible for overseeing the Grantee's project uses all available information to review the Grantee's performance in carrying out the approved project. Among the sources of information available for desk review and analysis are:

- The grant contract and application.
- The Grantee's financial reports and drawdown requests.
- The Grantee's submissions related to the environmental clearance process.

- Audit reports and Grantee responsibilities.
- On-site monitoring reports and Grantee responses.
- Citizen complaints.
- Information supplied by other Federal and State agencies.

Analysis of this and other appropriate information may result in follow-up with the Grantee regarding any problem areas identified and/or may result in an on-site technical assistance visit or on-site monitoring visit in order to more thoroughly review identified problem areas.

Project Monitoring

Project monitoring is a structured review conducted by the project administrator regarding project activities that have been carried out and/or where project records are maintained. **GOED will utilize Form 8-1: CDBG Monitoring Checklist for project monitoring.**

Project monitoring may be conducted on-site or virtually via Zoom or Microsoft Teams. The documents as shown in the CDBG Monitoring Guide are required to be presented during the monitoring session. For virtual sessions: documents may either be shown in the camera, through screensharing, or via document sharing link from sites such as DropBox or SharePoint. For on-site sessions: please have the physical file available. The State will give reasonable notice prior to each upcoming monitoring session.

Please note: On-site visits by staff that do not involve use of these monitoring guides/checklists are technical assistance visits, not project monitoring visits.

FREQUENCY AND TIMING OF PROJECT MONITORING

Every grant will receive a Desk Monitoring and a Closeout Monitoring. Additional reviews may be triggered by indications of noncompliance found by office staff while conducting desk or other monitoring. Grantees may be selected for additional reviews in certain compliance areas based on the likelihood and consequences of noncompliance in carrying out their specific project activities.

In some cases, it may be necessary to conduct reviews in certain performance and compliance areas (e.g. Eligibility of Activities, National Objectives, Environmental Review, etc.) more than once during the course of a project. The following should be considered in determining whether more frequent reviews may be necessary:

- Known or potential problems, e.g., previous monitoring findings, audit findings, citizen complaints, and slowness in use of funds.
- The extent of the Grantee's previous experience with the CDBG program.
- The type, number, scale and complexity of project activities.
- The extent to which subcontractors are used in carrying out project activities.
- The extent to which program income, if any, is generated.

PROJECT MONITORING PROCEDURES

Triggering the Project Monitoring

Once the Grantee has completed all grant activities and expended all funds, they may initiate the closeout process. The project cannot be closed out until the activities undertaken with grant funds are completed and

beneficiaries are served. The Grantee will begin the closeout process by submitting Form 8-2: Project Monitoring/Administrative Closeout Certification to the CDBG Program Manager. The Grantee MUST submit this form to initiate closeout **within 60 DAYS of the final draw**. The monitoring visit will be scheduled for no later than 60 days after receipt of Form 8-2. GOED will make every effort to accommodate the Grantee's and Planning District's when scheduling the monitoring visit.

During the Project Monitoring Session

When conducting a project monitoring session, the project administrator is expected to:

- Discuss the purpose, scope, and schedule for the visit;
- Discuss the current status of CDBG project activities;
- Utilize Form 8-1: CDBG Project Monitoring Checklist and examine on a sample basis, the Planning District's records;
- Visit/inspect project site(s), when appropriate;
- Discuss any discrepancies among data and information from reports, files examined, interviews, inspections, and other sources; and
- Discuss the positive and negative findings of the monitoring session and advise them of post-monitoring procedures.

POST MONITORING PROCEDURES

The monitoring session will conclude the project file. Upon satisfactory compliance review of the project file, the CDBG program manager will sign and issue the Monitoring Summary Letter to the Grantee. If the project file is incomplete, the Grantee must submit all required documents to GOED **within 10 business days**. A sample monitoring letter has been provided as Form 8-3: Sample Monitoring Summary Letter. All documentation and correspondence related to the monitoring visit must be placed in the project file.

Monitoring Findings

If the project administrator finds the Grantee noncompliant with State and Federal regulations, the Grantee will be issued a letter requiring corrective action(s) along with a deadline for completion for document submission and additional information, as necessary.

Per Section A.5. of the Grant Agreement, the State has the authority to apply remedies, including but not limited to temporary withholding payments, disallowances, suspension or termination of the federal award, suspension of other federal awards received by Grantee, debarment, or other remedies including civil and/or criminal penalties as appropriate.

Follow-up Action

If the Grantee fails to meet a target date for any required corrective action:

- The Grantee will be contacted by telephone and reminded of the need for action;

- If there is no response within seven calendar days of the telephone reminder, a written reminder will be sent to the Grantee; and
- Upon notice to the Grantee, remedies such as repayment of the CDBG grant funds, suspension of other federal awards received by Grantee, debarment, or other remedies including civil and/or criminal penalties as appropriate.

The Grantee's proposed corrective action will be reviewed by the GOED. If the review indicates that the corrective action was less than satisfactory, a letter will be sent to the Grantee which specifies additional action which is needed and the due date.

A new due date may be established subject to good faith efforts by the Grantee to resolve the findings. A follow-up visit may be necessary to verify corrective action or to provide technical assistance in resolving or correcting the problem.

When all reviews of documentation indicate satisfactory Grantee corrective action, a final monitoring letter will be sent stating that the findings are resolved.

NOTE: Per the Technical Assistance and Program Administration Contract Planning Districts may be subject to financial penalties for non-compliance with CDBG grant administration requirements.

CLOSEOUT PROCESS

When the Grantee receives a final monitoring letter, with no unresolved findings, the letter will indicate that the Grantee may submit their "closeout documents ".

Step 1: Submit Closeout Documents

The following closeout documents must be submitted to GOED within 30 DAYS of receipt of a Monitoring Summary Letter, with no unresolved findings:

- Form 4-4: Final Financial Statement
- Form 7-1: Semi-Annual Report Form (marked Final)
- Personal Property Inventory Ledger, if applicable (Sample provided as Form 8-4)
- Real Property Inventory Ledger, if applicable (Sample provided as Form 8-5)
- Acceptance of Work, for construction Projects (Sample provided as Form 8-6)

Step 2: GOED Closeout Approval

After the closeout documentation has been reviewed and approved, GOED will send the Grantee a closeout letter.

Administrative Closeout

Notice of Administrative Closeout will be issued when all activities are complete, all funds are expended or returned, the National Objective was met, and any findings have been resolved – but GOED is awaiting receipt and approval of all audit(s) covering the grant expenditure period. See Chapter 4: Financial Management.

NOTE: The purpose of a conditional closeout is to have the Subgrantee acknowledge, by the signature of its authorized local official, that the grant is being closed out pending the submission of a Single Annual Audit, if required, and that it will comply with all audit requirements associated with receiving CDBG funds from the State.

Final Closeout (Certificate of Completion)

The **Certificate of Completion** will be sent when all activities are complete, all funds are expended or returned, the National Objective was met, and all audits covering the grant expenditure period have been received with no unresolved findings.

Step 3: Record Retention

Files must be maintained by the Grantee until notified by GOED that the program year, from which they received funds, has been closed with HUD. (24 CFR 570.490(d)). More detailed information can be found in Chapter 7: Reporting and Recordkeeping.

NOTE: The GOED reserves the right to re-open the grant and recover CDBG funds if the final audit identifies any findings not consistent with the Grant Agreement or shows any other discrepancies.

Change of Use Restrictions

The CDBG regulations contain provisions regarding changing the use of real property within the grantee's or subrecipients' control that was acquired or improved, in whole or in part, with CDBG funds. These provisions require that the property be maintained for the original eligible use and continue to meet a national objective for at least five years after the grantee has received a signed Notice of Administrative Closeout from GOED.

If the project involved acquisition or improvement of real property using CDBG funds in excess of $350,000 (the current Simplified Acquisition Threshold), during the five years following receipt of a signed Notice of Administrative Closeout:

- A grantee may not change the use or planned use of any such property from that for which the acquisition or improvement was made, unless GOED and grantee provide affected citizens with reasonable notice of and opportunity to comment on any proposed change.
- The grantee must have a security document that references the use restrictions (See Form 8-xx:Sample Use Restriction).
- The new use of the property must qualify as meeting one of the national objectives and is not a building for the general conduct of government.

However, if GOED and the grantee determine, after consultation with affected citizens, that the reuse of the property is deemed appropriate but is not a CDBG eligible activity and does not meet a national objective, it may retain or dispose of the property for the changed use. GOED will require reimbursement in the amount of the current fair market value of the property, less any portion of the value attributable to expenditures of non-CDBG funds for acquisition of, and improvements to, the property.

Following the reimbursement to GOED for the CDBG program, the property no longer is subject to any CDBG requirements.

REVISION HISTORY

Revision	Date	Description of changes	Approved By
1.0	8/21/24	• Initial Release	S Deyo
2.0	5/22/26	• Updated links throughout document • Updated Change of Use Threshold per revised 24 CFR 570.489(j) and 48 CFR 2.101 • Updated Form 8-2: Project Monitoring / Administrative Closeout with the required certification clause per 2 CFR 200.318	S Deyo