



U.S. Department of Housing and Urban Development
Community Planning and Development

Special Attention of:

All Regional Directors
All Field Office Directors
All CPD Division Directors
All State CDBG Program Managers

Notice: CPD-15-06

Issued: June 22, 2015
Expires: Until Superseded

Cross References: 24 CFR 570

SUBJECT: Timely Distribution of State CDBG Funds

I. Purpose

This Notice replaces CPD Notice 14-06 and reiterates HUD's policy and standards for the timely distribution of Community Development Block Grant (CDBG) funds by states. States administer the program and distribute the funds to units of general local governments (UGLGs) that carry out eligible activities benefiting low- and moderate-income people. The requirements allow states a reasonable time to distribute funding while assuring that the funds are used as Congress intended.

This Notice also provides a summary report [**Attachment 1**] of the states' performance in meeting the timely distribution requirements established by regulation for the 2013 annual grants. Because states each sign their grant agreements at different times of the year, the 15-month timely distribution period for the Fiscal Year 2013 grants expires for the earliest grantees on October 8, 2014 and for the latest grantee on January 31, 2015. Only one state did not obligate and announce 100 percent of its 2013 grant within 15 months; a finding was issued and the undistributed balance was obligated and announced before the publication of this Notice. Timeliness for the 2014 grants will be reported in the next annual Notice.

II. Statutory and Regulatory Requirements

Section 104(e)(2) the Housing and Community Development Act of 1974 (HCDA) includes the requirement that HUD determine "whether the state has distributed funds to units of general local government in a timely manner." This is the statutory basis for requiring states to meet a timeliness standard in distributing CDBG funds to UGLGs under their jurisdiction.

The HUD regulation at 24 CFR 570.494, Timely distribution of funds by states, define a state's distribution of CDBG funds as timely if "all of the state's annual grant (excluding state administration) has been obligated and announced to units of general local government within 15 months of the state signing its grant agreement with HUD."

The regulation also encourages states to obligate and announce 95 percent of funds within 12 months of the state signing its grant agreement with HUD.

Definition:

The term “obligated and announced to” refers to the date on which a state officially announces the selection and award of grants to its units of general local government by means of any official letter, press release, news media announcement, public notice, or official notice of award that the state may use to notify its localities and citizens that a grant has been awarded. The date of such an announcement will be used to measure compliance with the 15-month period for timely distribution. This terminology replaced the term “placed under contract” and was developed in response to comments during the rule-making process in 1992. Its purpose was to allow States more flexibility in distributing grant amounts. Note that this definition of “obligated” is not the same as a business definition which establishes a legal duty for payment. For the purpose of this regulation, it is more appropriately classified as a “commitment” or “reservation” which provides for budgetary control of the grant funds.

The regulation at 24 CFR 570.494 is designed to assure that the portion of the annual grant that is to be distributed to UGLGs is done so in a timely manner. The regulation specifically excludes grant funds used by the state for administration from this requirement. There are also other circumstances, or **adjustments**, when a portion of the annual grant would not be distributed to an UGLG:

- Under section 106(d) of the HCDA, states are authorized a maximum deduction for the combined purposes of state administration and technical assistance of \$100,000 plus up to three percent of the grant amount. A state may opt to use less than this portion of its grant in order to increase its distribution to local governments.
- Pursuant to 24 CFR 570.705(c), Community Development Block Grants (including program income derived therefrom) may be used for:
 - Paying principal and interest due on the debt obligations guaranteed under the Section 108 program (including such issuance, servicing, and underwriting);
 - Defeating such debt obligations; and
 - Establishing debt service reserves as additional security.
- Pursuant to 24 CFR 570.496(b), following remedial actions, any amounts subject to termination or reduction would not be available for distribution to UGLGs.

The regulation at 24 CFR 570.494 applies the timely distribution requirement to the remaining grant funds following any of the above adjustments.

Program income and recaptured funds should not be combined with the annual grant funds when determining compliance with the regulatory requirement for timely distribution at 24 CFR 570.494(b)(1). However, pursuant to § 570.494(b)(2), recaptured funds and program income must also be expeditiously obligated and announced. Special attention should be directed to program income to ensure that an amount equal to the amount received each year is budgeted for and committed to UGLGs. This is a separate

standard from the requirement at 24 CFR 570.494(b)(1) to distribute the annual grant funds in a timely manner.

Requirements for HUD's reviews and audits of the State CDBG program at 24 CFR 570.493(a)(1) provide that HUD will review, at least annually, whether the state has distributed CDBG funds to UGLGs in a timely manner. Whenever HUD finds evidence that a program statute, regulation or requirement has been violated, it is required to make a finding. HUD Headquarters will review the timely distribution of State CDBG funds and report on these data annually via a CPD Notice or other issuance. In addition, HUD Headquarters will request information from field offices on findings issued and actions taken to address non-compliance. This information will be provided to the Office of Inspector General (OIG), the Government Accountability Office (GAO), or other parties as requested.

III. Required Actions by CPD Field Offices, Headquarters, and Grantees

CPD Field Offices:

Field Offices are responsible for reviewing state compliance with the requirement at 24 CFR 570.494(b)(1) for the timely distribution of its annual grant. Field Offices will review the total amount of grant funds obligated and announced to local recipients from the State CDBG program allocation through the end of the 15-month period. The CPD Representative should use the *CDBG State Timely Awards of Funds* Performance Report (PR57) in the Integrated Disbursement and Information System (IDIS) to assist in the review. The PR57 report is a management tool to monitor grantees' progress in "obligating and announcing" grant awards to participating units of general local government prior to the completion of the 15-month deadline.¹

Field staff should include funds distribution as part of their annual review of the grantee's Performance and Evaluation Report (PER). A review at that time will provide an opportunity to resolve any problems with funds distribution before they become an issue of non-compliance.

Amounts from prior year allocations, recaptured funds and program income are not included in evaluating compliance with the timely distribution requirement under section 104(e)(2). Field Offices will continue to separately review the timely distribution of recaptured funds and program income as required at 24 CFR 570.494(b)(2).

Each state must meet the regulatory requirement for timely distribution. HUD is required to make a finding when a regulatory requirement has been violated, but findings

¹ A finding shall not be made on the sole basis of the PR57, because it has limitations: (1) The PR57 uses activity funding in IDIS as a proxy for obligations and announcements that would typically occur earlier, (2) The award date in IDIS is manually transcribed from the HUD 7082; please refer to the original document for the date of a state's signature, and (3) Common reporting mistakes will affect the report, such as State Administration activities being entered as activity type code 21A instead of 21J [UGLG admin would be 21A, but only when not an activity delivery cost, i.e., part of the activity itself].

made outside formally scheduled monitoring based on risk analysis will not be tracked in the Grants Management Process (GMP) system. Upon making a finding of noncompliance with the timely distribution requirement, the Field Office will send a letter to the state informing it of the finding and send a copy of the letter to the HUD Headquarters, State and Small Cities Division. When the finding is not part of an onsite monitoring, see **Attachment 2** for a sample letter advising a state of a finding for failure to meet the timely distribution requirement. When the monitoring and finding are part of an onsite monitoring, see **Attachment 3**.

Required corrective action for findings of untimely distribution should be proportionate to the violation incurred. The Field Office will give the state an opportunity to contest the finding and will request a plan for corrective action. A plan for corrective action should include:

- A procedural assessment that may contribute to a better understanding of factors causing or contributing to the symptom of untimely distribution,
- A description of how the state will distribute any outstanding balance within the current program year,
- A target date for full distribution of the remaining balance, and
- A description of how the state will comply with the timeliness requirement for future allocations.

Where appropriate, the Field Office may recommend how it wants the state to meet the timely distribution requirement by proposing specific timetables and procedures. For lesser violations, where 99% or more of a state's grant has been distributed and the evidence suggests that the remaining funds will be committed quickly, it may be appropriate to require no further action. Once the State notifies the Field Office that the corrective action has been implemented and the outstanding funds from the prior year's grant has been committed, the Field Office must send notification to the State within 30 calendar days of the State's submission that the finding has been closed. See **Attachment 4** for a sample letter that closes the finding.

If the state's response or plan for corrective action is not satisfactory to HUD, the Field Office may take additional action as specified in 24 CFR 570.495. If the state fails to adequately respond to any corrective or remedial actions, the regulations at 24 CFR 570.496 provide for a hearing and the imposition of additional remedies including financial and civil actions. Such remedies may include reduction of one or more future grant allocations. Field Office records must document all findings, corrective actions, and resolution for review by the OIG and other oversight offices.

Headquarters:

The State and Small Cities Division (SSCD) in HUD Headquarters will review data from the Line of Credit Control System (LOCCS), the Integrated Disbursement and Information System (IDIS), and GMP and send an alert notice to field offices and states at least one month prior to the expiration of the state's 15-month timeliness period. A second alert will be sent at the expiration of each 15-month period. SSCD will follow up with Field Offices 45 days after the expiration of the 15-month period to ensure that the

Field Offices have verified that states have complied with the requirement or have issued findings for non-compliance with 24 CFR 570.494. SSCD will update this Notice as necessary, generate the attached summary report annually and make it available through the Department's website.

Grantees:

In order to facilitate continuity in its program and to provide accountability to citizens, each Grantee is required to submit the State CDBG Timely Distribution of Grant Funds Report to HUD to report obligations and announcements of State CDBG funds within the timeliness period. Submissions after the expiration of the 15-month deadline are considered late. The HUD Form 40108 with instructions is located in **Attachment 5**.

IV. Grantees: Record Keeping and Reporting

States are required to maintain records documenting their administration of CDBG funds [24 CFR 570.490(a)]. In order for HUD to determine if a state has distributed its funds in a timely manner, the Department must review information concerning the state's obligations. Currently, IDIS has automated the collection of timeliness data to help assess the progress of each grantee's timely distribution of its annual grant. Grantees are strongly encouraged to enter the date funds are "obligated and announced" into IDIS to show that the state has distributed funds to units of local government within 15 months of the State signing its grant agreement with HUD. **As a reminder, "obligated and announced" does not mean that grants have to be under contract, but the state must commit its funds publicly within 15-months of receiving its grant. However, once a CDBG-funded activity is entered in IDIS, the state and UGLG should be aware that if no draws are made within the first two years, the activity will be flagged as at-risk.** Supplemental to the IDIS PR-57 report, HUD may review the following elements documented in the state's records:

- Deduction claimed by the state for state administration of the grant.
- Deduction claimed by the state for technical assistance to local governments.
- Adjustments to the allocated amount, e.g.:
 - Section 108: Payments of principal and interest (including issuance, servicing, and underwriting), defeasance of such debt obligations, or establishment of debt service reserves as additional security.
 - Other approved adjustments.
- Total funds distributed (i.e., "obligated and announced") from the annual grant as of the date 15 months after the state signed the grant agreement. State records must identify distributions made from the annual grant allocation. Distributions from program income and recaptured funds must be identified separately as they are subject to a different timeliness standard.

Please contact Pamela Glekas, Director, State and Small Cities Division in the Office of Block Grant Assistance at (202) 708-1322 should you have any questions regarding this notice.

Notices are available online at:

<http://www.hud.gov/offices/cpd/communitydevelopment/rulesandregs/index.cfm>

Attachments

Attachment 1

State CDBG Program Report - Timely Distribution of FY 2013 Grant Funds

| State | Program Year Begins | 2013 Grant Award Signed by State | 15 Month Deadline | Total Grant Amount (\$) | Allowed Adjustments: Admin, TA & Sec. 108 (\$) | Awards Obligated & Announced By Deadline (\$) and (%) | | Comments |
|-------|---------------------|----------------------------------|-------------------|-------------------------|--|---|--------|--|
| AK | Jul | 08/09/13 | 11/09/14 | 2,440,509 | -173,215 | 2,267,294 | 100.0% | In Compliance |
| AL | Apr | 01/22/13 | 11/07/14 | 22,273,294 | -768,197 | 21,505,907 | 100.0% | In Compliance |
| AR | Jul | 08/13/13 | 11/13/14 | 16,595,930 | -418,930 | 16,177,000 | 100.0% | In Compliance |
| AZ | Jul | 08/12/13 | 11/15/14 | 9,560,059 | -386,802 | 9,173,257 | 100.0% | In Compliance |
| CA | Jul | 09/19/13 | 12/19/14 | 30,042,398 | -1,000,424 | 29,041,974 | 100.0% | In Compliance |
| CO | Apr | 07/15/13 | 10/15/14 | 8,407,804 | -352,234 | 8,055,570 | 100.0% | In Compliance |
| CT | Jul | 07/15/13 | 10/15/14 | 12,017,705 | -460,531 | 11,557,174 | 100.0% | In Compliance |
| DE | Jul | 08/20/13 | 11/20/14 | 2,005,029 | -150,150 | 1,854,879 | 100.0% | In Compliance |
| FL | Jul | 09/05/13 | 12/05/14 | 24,214,007 | -826,420 | 23,387,587 | 100.0% | In Compliance |
| GA | Jul | 07/25/13 | 10/25/14 | 37,110,886 | -1,213,327 | 35,897,559 | 100.0% | In Compliance |
| IA | Jan | 07/18/13 | 10/18/14 | 21,858,155 | -755,744 | 21,102,411 | 100.0% | In Compliance |
| ID | Apr | 07/17/13 | 10/17/14 | 7,742,858 | -332,285 | 7,410,573 | 100.0% | In Compliance |
| IL | Jan | 08/08/13 | 11/08/14 | 27,143,465 | -914,304 | 26,229,161 | 100.0% | In Compliance |
| IN | Jul | 10/23/13 | 10/23/14 | 28,252,635 | -947,579 | 27,305,056 | 100.0% | In Compliance |
| KS | Jan | 08/07/13 | 11/07/14 | 14,072,004 | -522,160 | 13,549,844 | 100.0% | In Compliance |
| KY | Jul | 08/01/13 | 11/01/14 | 23,886,525 | -816,596 | 23,069,929 | 100.0% | In Compliance |
| LA | Apr | 01/22/13 | 12/22/14 | 21,237,602 | -737,128 | 20,500,474 | 100.0% | In Compliance |
| MA | Apr | 07/30/13 | 10/30/14 | 29,397,541 | -1,311,926 | 28,085,615 | 100.0% | In Compliance |
| MD | Jul | 08/19/13 | 11/19/14 | 7,069,743 | -312,092 | 6,757,651 | 100.0% | In Compliance |
| ME | Jan | 11/15/13 | 11/15/14 | 11,129,112 | -433,872 | 10,695,240 | 100.0% | In Compliance |
| MI | Jul | 09/19/13 | 12/19/14 | 31,650,432 | -1,049,513 | 30,600,919 | 100.0% | In Compliance |
| MN | Oct | 08/13/13 | 11/13/14 | 17,307,283 | -446,146 | 16,861,137 | 100.0% | In Compliance |
| MO | Apr | 08/01/13 | 11/01/14 | 20,966,693 | -729,001 | 20,237,692 | 100.0% | In Compliance |
| MS | Jul | 07/15/13 | 10/15/14 | 24,504,655 | -800,000 | 23,704,655 | 100.0% | In Compliance |
| MT | Apr | 07/31/13 | 10/31/14 | 5,983,857 | -279,515 | 5,704,342 | 100.0% | In Compliance |
| NC | Jan | 08/06/13 | 11/06/14 | 43,757,560 | -1,400,950 | 42,356,610 | 100.0% | In Compliance |
| ND | Apr | 07/09/13 | 10/09/14 | 3,751,646 | -212,548 | 3,539,098 | 100.0% | In Compliance |
| NE | Jul | 08/16/13 | 11/16/14 | 10,423,511 | -412,705 | 10,010,806 | 100.0% | In Compliance |
| NH | Jan | 08/13/13 | 11/12/14 | 8,194,036 | -345,821 | 7,848,215 | 100.0% | In Compliance |
| NJ | Jul | 09/19/13 | 12/19/14 | 6,039,582 | -281,187 | 5,758,395 | 100.0% | In Compliance |
| NM | Jan | 08/06/13 | 11/06/14 | 8,975,336 | -369,260 | 8,606,076 | 100.0% | In Compliance |
| NV | Jul | 01/22/13 | 12/12/14 | 2,316,003 | -169,480 | 2,146,523 | 100.0% | In Compliance |
| NY | Jan | 08/21/13 | 11/21/14 | 42,689,894 | -1,871,754 | 40,818,140 | 100.0% | In Compliance |
| OH | Jul | 09/10/13 | 12/10/14 | 42,217,684 | -973,360 | 41,244,324 | 100.0% | In Compliance |
| OK | Apr | 07/25/13 | 10/25/14 | 13,497,021 | -504,910 | 12,992,111 | 100.0% | In Compliance |
| OR | Jan | 07/09/13 | 10/09/14 | 12,178,221 | -465,347 | 11,712,874 | 100.0% | In Compliance |
| PA | Jan | 08/15/13 | 11/15/14 | 38,870,107 | -777,402 | 36,001,543 | 94.5% | In Compliance Finding Cleared on 3/11/2015, now 100% |
| PR | Jul | 08/29/13 | 11/29/14 | 27,793,428 | -833,803 | 26,959,625 | 100.0% | In Compliance |
| RI | Jul | 10/31/13 | 01/31/15 | 4,922,042 | -247,660 | 4,674,382 | 100.0% | In Compliance |
| SC | Apr | 07/15/13 | 10/10/14 | 19,333,299 | -679,997 | 18,653,302 | 100.0% | In Compliance |
| SD | Jan | 07/17/13 | 10/17/14 | 5,413,726 | -262,412 | 5,151,316 | 100.0% | In Compliance |

| | | | | | | | | |
|----|-----|----------|----------|------------|------------|------------|--------|---------------|
| TN | Jul | 08/09/13 | 11/09/14 | 25,612,067 | -868,362 | 24,743,705 | 100.0% | In Compliance |
| TX | Feb | 07/31/13 | 10/31/14 | 62,566,661 | -1,977,000 | 60,589,661 | 100.0% | In Compliance |
| UT | Apr | 07/11/13 | 10/11/14 | 4,502,609 | -235,078 | 4,267,531 | 100.0% | In Compliance |
| VA | Jul | 07/23/13 | 10/23/14 | 17,200,032 | -516,000 | 16,684,032 | 100.0% | In Compliance |
| VT | Jul | 09/05/13 | 12/05/14 | 6,571,638 | -297,149 | 6,274,489 | 100.0% | In Compliance |
| WA | Jan | 08/01/13 | 11/01/14 | 11,671,256 | -538,416 | 11,132,840 | 100.0% | In Compliance |
| WI | Apr | 09/20/13 | 12/20/14 | 24,885,052 | -846,552 | 24,038,500 | 100.0% | In Compliance |
| WV | Jul | 08/15/13 | 11/15/14 | 13,429,610 | -502,888 | 12,926,722 | 100.0% | In Compliance |
| WY | Jan | 07/08/13 | 10/08/14 | 2,725,095 | -176,842 | 2,548,253 | 100.0% | In Compliance |

Attachment 2

Sample Letter – Notice of Finding- (NOT part of On-site Monitoring)

MONTH DAY, YEAR

NAME
TITLE
DEPARTMENT
ADDRESS

SUBJECT: Finding of Noncompliance Relating to Timely Distribution of FY 20## State CDBG Funds

Dear Mr. /Ms. Name:

We have completed a review of the State's distribution of State CDBG funds for Fiscal Year 20##. Section 24 CFR 570.494 (b)(1) of the CDBG regulations requires a state to obligate and publicly announce to units of general local government the state's annual grant within 15 months of the state signing its grant agreement with HUD. According to the State's CDBG timeliness report dated MONTH DAY, YEAR, the State did not meet the timely distribution of funds requirement. Therefore, we are issuing a finding as outlined in the enclosed document. Please provide a written response to our office within 30 days of the date of this letter. Your response may either contest the finding or provide the State's plan for corrective action per the attachment. If further information is necessary regarding this letter, please contact NAME, TITLE, PHONE, EMAIL.

Sincerely,

NAME
Director Community Planning and Development

Enclosure:

Description of Finding of noncompliance with the timely distribution requirement:

Finding: The state failed to distribute 100% of its 20## Community Development Block Grant (CDBG) funds within 15 months [less any allowable adjustments].

Condition: State records show that the state obligated and publicly announced to local governments a total of \$#,###,###.##. The state's 20## award, less any allowable adjustments, was recorded as totaling \$#,###,###.##. Based upon these figures, the state was not timely in its distribution of CDBG funding. Only ##.##% of the funds available were obligated and announced to units of general local governments.

Criteria: The regulations at 24 CFR 570.494(b)(1) establish that a state's distribution of CDBG funds is timely if all of the state's annual grant (excluding state administration) has been obligated and announced to units of general local government within 15 months of the state signing its grant agreement with HUD. Annual Notices, including CPD Notice ##-##, have provided further clarification to say that other adjustments are also permitted, in addition to state administration.

Cause: The problem was caused by [PROVIDE ADDITIONAL EXPLANATION]*

Effect: Failing to distribute State CDBG funds in a timely manner results in delays in program benefits to eligible low-and moderate-income beneficiaries.

***Required Corrective Action:** To clear this finding within 30 days of the date of this letter, the state must:

- a. Review its current program management system(s) to determine whether the State needs to assign experienced staff to oversee the review process to ensure that its staff is able to comply with the timely distribution requirement.
- b. Promptly evaluate the current process for reviewing funding proposals and preparing contracts and establish application and contract execution deadlines.
- c. Based upon this analysis, provide a written plan describing how the State will obligate and announce the remaining ##.##% in FY 20## grant funds, as well as describe any procedural changes that the State will make to assure that future allocations of CDBG funds will be distributed in a timely manner. The State must provide the date that the remaining FY ## grant funds will be obligated and announced.

** Ensure that some element of the Corrective Action links directly back to the Cause(s).*

Attachment 3

Sample Letter – Notice of Finding - (Issued After Monitoring Visit)

MONTH DAY, YEAR

NAME
TITLE
DEPARTMENT
ADDRESS

SUBJECT: On-Site Monitoring Review, DATES,
State Community Development Block
Grant (CDBG) Program Grant #: B-##-DC-##-0001

Dear Mr. /Ms. NAME:

This letter transmits the report from our office’s on-site monitoring review of the FY 20## State CDBG program. HUD’s objective was to evaluate the timeliness of the State’s CDBG performance. We sincerely appreciate the cooperation and assistance that staff provided during the course of the review.

Our report contains one finding. A finding is a deficiency in program performance based on a statutory, regulatory, or program requirement. A summary of the results is included in the attached monitoring report. Please provide a written response to the finding of the monitoring visit within 30 days of the date of this letter. Your response may either contest the finding or provide the State’s plan for corrective action. If you would like to discuss any of the report’s conclusions, please contact NAME, TITLE, PHONE, EMAIL.

Sincerely,

NAME
Director Community Planning and Development

Enclosure

Description of Finding of noncompliance with the timely distribution requirement:

Finding: The state failed to distribute 100% of its 20## Community Development Block Grant (CDBG) funds within 15 months [less any allowable adjustments].

Condition: State records show that the state obligated and publicly announced to local governments a total of \$#,###,###.##. The state's 20## award, less any allowable adjustments, was recorded as totaling \$#,###,###.##. Based upon these figures, the state was not timely in its distribution of CDBG funding. Only ##.##% of the funds available were obligated and announced to units of general local governments.

Criteria: The regulations at 24 CFR 570.494(b)(1) establish that a state's distribution of CDBG funds is timely if all of the state's annual grant (excluding state administration) has been obligated and announced to units of general local government within 15 months of the state signing its grant agreement with HUD. Annual Notices, including CPD Notice ##-##, have provided further clarification to say that other adjustments are also permitted, in addition to state administration.

Cause: The problem was caused by [PROVIDE ADDITIONAL EXPLANATION]*

Effect: Failing to distribute State CDBG funds in a timely manner results in delays in program benefits to eligible low-and moderate-income beneficiaries.

***Required Corrective Action:** To clear this finding within 30 days of the date of this letter, the state must:

- a. Review its current program management system(s) to determine whether the State needs to assign experienced staff to oversee the review process to ensure that its staff is able to comply with the timely distribution requirement.
- b. Promptly evaluate the current process for reviewing funding proposals and preparing contracts and establish application and contract execution deadlines.
- c. Based upon this analysis, provide a written plan describing how the State will obligate and announce the remaining #.##% in FY 20## grant funds, as well as describe any procedural changes that the State will make to assure that future allocations of CDBG funds will be distributed in a timely manner. The State must provide the date that the remaining FY ## grant funds will be obligated and announced.

** Ensure that some element of the Corrective Action directly addresses the Cause(s).*

Attachment 4

Sample Letter – Notice of Closing Finding

MONTH DAY, YEAR

NAME
TITLE
DEPARTMENT
ADDRESS

SUBJECT: Closing of Finding of Noncompliance Relating to Timely Distribution of FY 20## State CDBG Funds

Dear Mr./Ms. NAME:

Thank you for the DATE letter and documentation demonstrating that the State obligated the remaining FY 20## funds and implemented the required corrective actions. In response to the corrective actions executed by your office, HUD has determined that the finding below is cleared and closed.

FINDING: The State failed to distribute 100% of its 20## Community Development Block Grant (CDBG) funds within 15-months.

REQUIRED CORRECTIVE ACTION: The State has provided a written plan on DATE that demonstrated that the full obligation and announcement of FY 20## funding had taken place, as well as a description of the process the State is taking to fully obligate future allocations. Therefore, this finding has been adequately addressed and is now closed.

We thank the State for diligently resolving this finding. If we may be of further assistance, please contact NAME, TITLE, PHONE, EMAIL.

Sincerely,

NAME
Director Community Planning and Development

Attachment 5: HUD Form 40108

**State CDBG
Timely Distribution of
Grant Funds Report**

**Department of Housing and Urban
Development
Office of Community Planning and
Development**

OMB No: 2506-0085
exp. (05/31/2017)

| | | | |
|----|--|--|--|
| | Grant Allocation Subject to 24 CFR 570.494(b)(1) | | |
| 1 | State | | |
| 2 | FY | | |
| 3 | Grant # | | |
| 4 | Date signed by State | | |
| 5 | Timeliness compliance date: (date signed + 15 months) | | |
| 6 | Grant Amount | | |
| 7 | Admin deduction (NTE \$100,000 + 3% of grant) | | |
| 8 | TA deduction (NTE 3% of grant) | | |
| 9 | Total Admin/TA deduction (NTE \$100,000 + 3% of grant) | | |
| 10 | Expected distribution from annual grant | | |
| 11 | Adjustments (attach explanation) | | |
| 12 | Available distribution from annual grant | | |
| 13 | Amt Obligated & anncd at 15 mos <i>Do not include PI or Recaptures</i> | | |
| 14 | % obligated & anncd at 15 mos | | |

| Listing of grant awards and amounts (Optional): | | | |
|--|---------------------|-----------------------------------|---------------------|
| Grantee (Local Govt.) | Grant Amount | Date Obligated / Announced | Grant Number |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| TOTAL | \$ - | | |

Distribution of State CDBG Funds
Timeliness Compliance Report Instructions

- **State:** State name or abbreviation
- **FY:** Fiscal year of the federal appropriation that funds the grant.
- **Grant #:** Program grant number e.g., B-11-DC-##0001 where “B” indicates the CDBG program, “11” is the fiscal year, “DC” indicates the allocation for states’ use in nonentitlement areas, “##” is a code identification number for the state, and “0001” is the number of the grant.

- **Date Signed by State:** Date the grant agreement was signed by the state. This date marks the beginning of the 15-month period for timely distribution.

- **Timeliness Compliance Date:** This is the date 15 months after the date the grant agreement was signed by the state.

- **Grant Amount:** The amount of the state’s allocation of CDBG funds for this grant.

- **Admin Deduction:** The state may use \$100,000 plus up to 3% of the grant for state administration and must match the percentage allowance dollar for dollar. This line shows the actual amount claimed for state administration.

- **TA Deduction:** The state may use up to 3% of the grant for technical assistance to local governments, no state match is required. This line shows the actual amount claimed for technical assistance.

- **Total Admin/TA Deduction:** This is the total of the previous 2 lines. Note that the percentage allowance for State Administration and for Technical Assistance is a combined allowance for both functions, not a separate allowance for each. The state decides how to allocate the total 3% allowance. The total entered on this line may not exceed \$100,000 plus 3% of the grant.

- **Expected Distribution:** This equals the Grant Amount less the Total Admin/TA deduction claimed by the state. This is the amount of the annual allocation expected to be available for distribution to its local governments.

- **Adjustments:** The state may make certain additional adjustments in the amount of funds it distributes to local governments from its annual allocation. These may include Section 108 loan guarantee repayments and/or a 3% allowance for state administration and technical assistance associated with program income retained by units of local government. Any adjustments claimed on this line must be supported by an attached explanation justifying the adjustment in detail.

- **Available Distribution:** This equals the Expected Distribution less Adjustments claimed on the previous line. This is the amount of the annual allocation required to be distributed to the state’s local governments.

- **Amount Obligated & Annncd** (at 15 months): This is the amount which the state has actually obligated and announced to its units of general local government as of the 15-month timeliness target date. To be compliant, it should equal the amount of the “Available Distribution” on the previous line. This amount should include only awards from the original grant allocation. Do not include awards from program income or recaptured funds.
- **% Obligated & Annncd** (at 15 months): This is the percentage of the “Amount Obligated and Annncd” divided by the “Adjusted Grant Amount”. To be compliant, this entry should equal 100%.

Privacy Statement: Public Law 97-255, Financial Integrity Act, 31 U.S.C. 3512, authorizes the Department of Housing and Urban Development (HUD) to collect all the information (except the Social Security Number (SSN)) which will be used by HUD to protect disbursement data from fraudulent actions. The purpose of the data is to safeguard HUD form 40108. While the provision of the SSN is voluntary, HUD uses it as a unique identifier for safeguarding HUD form 40108. This information will not be otherwise disclosed or released outside of HUD, except as permitted or required by law.