



DEPARTMENT OF
HOUSING



CDBG-DR

CLOSEOUT POLICY

PUERTO RICO DEPARTMENT OF HOUSING
CDBG-DR/MIT PROGRAM
CLOSEOUT POLICY
VERSION CONTROL

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1 Overview

As Community Development Block Grant – Disaster Recovery (**CDBG-DR**)¹ and Community Development Block Grant - Mitigation (**CDBG-MIT**) funds are fully expended and projects are completed, the Puerto Rico Department of Housing (**PRDOH**), as grantee, must begin the closeout process of each Program and ultimately the Grant. The U.S. Department of Housing and Urban Development (**HUD**) allocated these funds to address Puerto Rico's long-term recovery needs caused by Hurricanes Irma and María. In addition, HUD allocate additional funds to address mitigation of current and future risks through a CDBG-MIT grant and to address Island's long-term recovery from Earthquakes of 2019/2022 and Storm Isaías. PRDOH is committed to meeting the required timeframes and allocation and/or expenditure requirement for each CDBG-DR/MIT funded program and the overall grant allocation.

The closeout process is designed to ensure that all CDBG-DR/MIT funded activities are completed, and funds are spent in accordance with the agreement, program guidelines, and state and federal requirements. The closeout process included herein includes closeout of CDBG-DR/MIT funded activities and the CDBG-DR and CDBG-MIT grants administered by PRDOH. It includes the close out of agreements under the CDBG-DR/MIT Program. Projects and activities are closed when it is determined that performance needs and all related requirements have been met. Also, long term interest, such as property use after acquisition or equipment purchased with grant funds, is maintained through required liens or restrictions and are fully documented. Closeout of the Grants will begin once PRDOH and HUD determine all funds under the executed agreement between PRDOH and HUD have been expended on eligible activities and PRDOH has complied with all applicable program requirements.

2 Scope

This policy applies to all CDBG-DR/MIT programs and Subrecipients who have received CDBG-DR/MIT funds and have carried out eligible disaster recovery and mitigation activities. As the grantee of the CDBG-DR/MIT funds, PRDOH and its subrecipients are subject to federal closeout requirements contained in 2 C.F.R. Part 200 and 24 C.F.R. Part 570.

3 Policy

PRDOH has adopted this closeout policy to outline the process and requirements to close program activities, agreements, and ultimately the CDBG-DR/MIT funded program. Closeout is the process by which it is determined that all CDBG-DR/MIT program costs

¹ CDBG-DR means all programs of CDBG-DR and CDBG-DR Earthquake.

have been fully expended and were reasonable and necessary, the work has been completed in accordance with all applicable laws and regulations, and all responsibilities of PRDOH and the Subrecipient have been completed in accordance with the terms and conditions of the agreement. The Closeout process certifies that the CDBG-DR/MIT funded activities described in the CDBG-DR Action Plan, CDBG-MIT Action Plan and the Program Guidelines have benefited the persons affected by the hurricanes and/or for mitigation of current and future risks.

As a general rule, a project is ready for closeout when the following criteria have been met:

- All activities under the project are eligible, were completed, and met a national objective as described in the current Action Plan and Program Guidelines for the specific program;
- Grant funds allocated to the project were expended on necessary and reasonable costs, and any remaining funds are returned to the grant account;
- All reporting requirements were completed and submitted;
- Any special conditions were met; and
- All audit and monitoring issues affecting the project and/or grant were resolved.

The CDBG-D/MIT Grant Closeout Procedure is divided into three (3) different components, as follows: 1) Activity Closeout; 2) Program Closeout; and 3) Grant Closeout. Grantees and Subrecipients will be responsible for the timely submission of closeout documents. To complete the necessary closeout documents, any subcontract or contract associated with a Program/Activity must be closed out, and financial settlement of any outstanding claims must be completed.

CDBG-DR/MIT Program Activity Closeout will require that Subrecipients provide documents and supporting documents, as appropriate, for each individual activity or project as it is completed. Contract closeout will begin once all activities and/or projects have been determined by the grantee or the subrecipient to be completed and have been closed out. Once all contracts have been closed or terminated, the program will be closed out.

4 Legal Basis

As established in 2 C.F.R. § 200.344, the Federal award will be closed out when all applicable administrative actions and required work for the Federal award have been completed by the non-Federal entity. If the non-Federal entity fails to complete the requirements, the Federal awarding agency or pass-through entity will proceed to close out the Federal award with the information available at the end of the performance period.

5 Definitions

- **Activity:** A unit of work necessary to complete a project work package (which may include multiple activities). Time, resources, and finances are required to complete each activity.
- **Activity Closeout:** The first step of the closeout process which begins once all funds allocated to a particular activity, project, or program have been expended and all metrics have been reported.
- **Disposition:** Refers to the sale, lease, donation, or otherwise of any real property acquired pursuant to 42 U.S.C. §5305, or its retention for public purposes.
- **Equipment:** Means tangible personal property (including information technology systems) having a useful life of more than one (1) year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the federal entity for financial statements purposes, or \$5,000.
- **Grant Closeout:** Process in which HUD determines that all administrative and program requirements of the Grant Agreement between HUD and PRDOH have been completed.
- **Project:** A temporary goal-driven effort to create a unique output.
- **Program:** A collectively managed set of projects.
- **Program Closeout:** The process through which PRDOH determines that all CDBG-DR/MIT Program requirements have been completed in accordance with the terms and conditions of the Federal Register, Subrecipient Agreement (**SRA**), program policies, and local and federal requirements.
- **Program Income:** refers to the gross income received by the recipient or subrecipient directly generated by a CDBG-DR/MIT activity or earned as a result of an award, regardless of when the funds were appropriated and whether the activity has been closed out.
- **Real Property:** Refers to lands, lands under water, structures and any easements, air rights, franchises, and incorporeal hereditaments and every estate and right therein, legal and equitable, including terms for years and liens by way of judgment, mortgage, or otherwise, and any fixtures and improvements located thereon, excluding any movable machinery or equipment.
- **Subrecipient:** An entity, usually but not limited to non-Federal entities, that receives a subaward from a pass-through entity to carry out part of a federal program on

behalf of that entity; but does not include an individual that is a beneficiary of such program.

- **Subrecipient Agreement (SRA):** The SRA is the basis for the contractual obligation between PRDOH and the Partner/Subrecipient to fund and implement the awarded activity or program as required by 24 C.F.R. § 570.503. The agreement denotes responsibilities attributable to each party, and outlines in exact measure the scope of services provided under the agreement, methods of accountability, and a schedule for payment.

6 Activity and Program Closeout

Activity closeout is the first step in the CDBG-DR/MIT closeout procedure, and it is triggered once it is specified in the Quarterly Progress Report (**QPR**) that all funds allocated to a particular activity or program have been expended and all metrics have been reported. The Subrecipient must submit a Final Activity Completion report to PRDOH within **ninety (90) calendar days** of the completion of each eligible activity. Generally, a project/activity is ready for close out once all CDBG-DR/MIT funds have been expended, all activities have been completed, and the national objective has been met. Closeout of individual activities will be coordinated between PRDOH and subrecipients. If there are multiple activities, each activity must be closed out individually.

As individual activities are closing, the following items must be reviewed and updated in the Disaster Recovery Grant Reporting System (**DRGR**):

- Total amount of funds drawn for the activity;
- Activity type;
- National objective; and
- Activity accomplishments

For a program to be closed, all activities within the program must have been concluded. Program closeout can be triggered by monthly expenditure reports, QPRs, DRGR, or activity completion status. The program closeout process will include steps taken to ensure that:

- All grant funds have been expended in accordance with all program and regulatory requirements;
- All activities carried out by the program are eligible, were completed and met a national objective;
- All CDBG-DR/MIT funds allocated to the program were expended on necessary and reasonable costs, and that any remaining funds are returned to the grant account;
- All reporting requirements were completed and submitted;
- Any special conditions were met;

- Performance measures are updated to reflect actual versus proposed measures; and
- All audit and monitoring issues affecting the project and/or grant were resolved.

Closeout can be triggered by several actions such as a subrecipient providing a closeout package to PRDOH; an internal report from PRDOH identifying that a program activity is completely expended and at or near total completion; an agreement is close to its expiration date; or the CDBG-DR/MIT Program or PRDOH sends a request for submission of the closeout package to the subrecipient.

As part of the Program closeout process, the subrecipient will be responsible for completing and submitting to PRDOH the following documents:²

- Program Closeout Packet consisting of:
 - Final Activity Performance Report, detailing the source and status of all funds utilized for each activity and certifying compliance with internal procedures;
 - Program Income Information Form;
 - Recordkeeping Certification Form;
 - Compliance with General Policies Certification Form; and
 - Environmental Review Clearance Certification, when applicable.
- SRA Closeout Form

To complete necessary closeout documents, PRDOH and its Subrecipients must closeout any subcontract and Subrecipient Agreements associated with the program and/or the activity and complete a financial settlement for any outstanding claims. Subrecipients must also provide documentation of beneficiaries served or benefited by the eligible program activities. This information will include but is not limited to income information of the beneficiaries, the target area information (if direct benefit activity), and demographic information.

6.1 Use and Disposition of Real Property

Pursuant to 2 C.F.R. § 200.344(f), during the period of Federal award closeout, PRDOH and its subrecipients must account for any real and personal property acquired with Federal funds or received from the Federal Government in accordance with 24 C.F.R. §200.310 through 24 C.F.R. § 200.316. Subrecipients must submit, at a minimum, an annual report to PRDOH with the status of the real property acquired with CDBG-DR/MIT funds, unless the real property extends fifteen (15) years or longer. After the fifteen (15) year period, PRDOH, at its discretion may require the subrecipient entity to submit a status

² Additional documentation may vary depending on the Subrecipient, or SRA requirements. The aforementioned documents are not meant to substitute or replace programmatic requirements. This list is not meant to be so exhaustive that it does not allow for program to draft and require additional documentation.

report on the property every two (2) or three (3) years, not to exceed a five (5)-year reporting period. See 24 C.F.R. § 200.330.

The standards established in 24 C.F.R. § 570.505 on the use of real property apply to any real property under the recipient's control acquired in whole or in part with CDBG funds in excess of \$25,000. Any property acquired as part of the project must continue to be used for its intended and approved purpose and must be maintained for the affordability period required by the grant. Any change in property use prior to the affordability period may trigger a recapture of funds, distributed over the elapsed time that the property maintained its approved use. Generally, real property acquired or improved with CDBG-DR/MIT funds more than \$25,000 must be used for its approved purpose for at least **five (5) years** after expiration of the agreement. The recipient is not allowed to change the use or planned use of the property without proper notification to affected citizens and opportunity to comment on them.

Subrecipients must comply with the following requirements for any real property under their control that was acquired or improved in whole or in part with CDBG-DR/MIT funds more than \$25,000:

- Continue to use the property to meet one of the CDBG-DR/MIT Program National Objectives for at least **five (5) years** after the expiration of the Subrecipient Agreement (or a longer time as specified by the grantee in the Subrecipient Agreement) to avoid triggering a recapture of funds process or incurring in a non-compliance instance; or
- If the National Objective is not met during this period, the Subrecipient must reimburse PRDOH for the current fair market value, less any portion of the value attributable to non-CDBG-DR/MIT funds.

Disposition through sale, lease, donation, or otherwise, of real property acquired with CDBG-DR/MIT funds is an eligible activity per 24 C.F.R. § 570.201(b). As a requirement for disposition costs to be an eligible activity, the use of the property after disposition must meet a national objective of the CDBG-DR/MIT Program. In the case that a property is disposed of for a different purpose than that for which it was acquired, the new activity must be reviewed to determine whether the new use will meet a national objective. If no National Objective is met for disposition of the property, then it is an ineligible activity and a reimbursement of all cost required and not just the current value, is due to HUD.

When real property acquired by PRDOH is no longer needed for the originally authorized purpose, PRDOH must obtain disposition instructions from HUD for one of the following alternatives.³

Retention of Title	Retain title after compensating the Federal awarding agency
Sale of the Property	Sell the property and compensate the Federal awarding agency
Transfer of Title	Transfer title to HUD or to a third party designated/approved by HUD

6.2 Use and Disposition of Equipment

Equipment purchased with CDBG-DR/MIT funds may be used by the program or project for which it was acquired for as long as needed after closeout, whether the program or project continues to be supported by CDBG-DR/MIT funds. PRDOH requires that all subrecipients keep and submit a complete inventory of all real property and equipment purchased in whole or in part with CDBG-DR/MIT funds at the time of program closeout. These records must include at a minimum, the following information:

- Description of the property;
- Identification number (e.g., serial number);
- Source of funding;
- Acquisition date and cost;
- Percentage of federal participation in the project cost;
- Location, use, and condition; and
- Any disposition documentation included date of disposal and sale price.

The Subrecipient must submit supporting documents to show they have adopted adequate maintenance procedures to keep the property in good condition.

Pursuant to 2 C.F.R. § 200.313(e), when equipment acquired with CDBG-DR/MIT funds is no longer needed for the original project or program or for other activities assisted with Federal funds, the following rules of disposition apply:

- Equipment with a current per-unit fair market value of \$5,000 or less may be retained, sold, or otherwise disposed of.
 - If the equipment is managed by a subrecipient, they must provide notice to PRDOH of their intent to dispose of the equipment.
- Equipment with a current per-unit market value in excess of \$5,000 may be retained or sold, and the federal awarding agency shall have a right to an amount

³ See the PRDOH CDBG-DR/MIT Property Acquisition and Disposition Guidelines for additional information. Specifically, refer to the Disposition of Real Property Section of the guidelines available on the PRDOH CDBG-DR website, in English and Spanish at <https://cdbg-dr.pr.gov/en/resources/policies/general-policies/> y <https://cdbg-dr.pr.gov/recursos/politicas/politicas-generales/>

calculated by multiplying the current market value or proceeds from sale by the awarding agency's share in the cost of the equipment.

Subrecipients must notify PRDOH if property will be retained or sold. If the subrecipient sells such property, HUD may permit the Subrecipient to deduct and retain from the federal share \$500 or ten percent (10%) of the proceed, whichever is less, for handling expenses.

6.3 Outstanding Purchase Orders and/or Claims

Before closeout, all open associated purchase orders must be resolved and closed to ensure no future disbursements are made. If there are any third-party unsettled claims, upon resolution of these, the program administering entity must submit documentation for revision to PRDOH before the project can receive a final closeout.

7 Financial Management

Prior to Closeout, all project expenditures must be documented and recorded in the grant account, and they must be aligned with the approved budget(s) for the CDBG-DR/MIT funded activities. For all projects using CDBG-DR/MIT funds, the final costs for the project must be verified to ensure that all expenditures have been reasonable and eligible for both the project and the grant. Any remaining balance that was not expended by the project at the time of closeout will be reallocated to the CDBG-DR/MIT account.

7.1 Program Income

PRDOH acknowledges the program income definition at 24 C.F.R. § 570.489(e) and in the Federal Register Notice Vol. 83, No. 28 (February 9, 2018), 83 FR 5844 and Federal Register Notice Vol. 84 No. 169 (August 30, 2019), 84 FR 45838 for CDBG-DR/MIT funds allocated under the Public Laws 115- 56 and 115-123.⁴ At program closeout, any program income generated generally becomes part of the CDBG-DR/MIT grant to be used for current or planned eligible projects. PRDOH will maintain an inventory of acquired real property and equipment during the duration of the grant and properly report program income in DRGR.

The aforementioned Federal Register Notices allows PRDOH to transfer Program Income generated by the CDBG-DR/MIT grant to its annual CDBG Program before closeout of both grants, or to any annual CDBG-funded activities carried out by a municipality. Program Income received after closeout may also be transferred to the annual CDBG Program. In all cases, any Program Income that is transferred to the annual CDBG

⁴ For additional information on Program Income refer to the PRDOH CDBG-DR Program Income Policy available in English and Spanish in the CDBG-DR website at <https://cdbg-dr.pr.gov/en/download/program-income-policy/> and <https://cdbg-dr.pr.gov/download/politica-de-ingresos-del-programa/>

Program will not be subject to the waivers and alternative requirements of the Federal Register Notices but will instead be subject to regular CDBG Program rules.

PRDOH reserves the right to authorize the Subrecipient to retain Program Income to be used in eligible program activities as described in the SRA.

8 Subrecipient Agreement Closeout

PRDOH will work with subrecipients to ensure all closeout requirements, as described in the SRA, are met prior to releasing the final payment to the subrecipient. PRDOH will close out the SRA when it determines that the subrecipient has completed all eligible activities in accordance with the terms and conditions of the SRA, program policies, and local and federal requirements or that PRDOH has determined that there is no further benefit in keeping the agreement open to secure performance. The subrecipient's obligation to PRDOH shall not end until all closeout requirements are met.

Prior to closeout, PRDOH will review the SRA in place for the activity(ies) being closed out to determine if there are any provisions related to the Subrecipient's obligation to carry out the relevant project. If there are any provisions related to the project's close out, the agreement will be updated to revise those provisions and indicate that the project is completed, and all required closeout documentation was provided to PRDOH.

As part of the SRA Closeout Process, Subrecipients are responsible for complying with the following requirements:

- Subrecipients must transmit to PRDOH all records that are sufficient to demonstrate that all costs incurred by the subrecipient met the requirements of the subrecipient agreement and the PRDOH Financial Policy;
- Subrecipients shall maintain financial records, supporting documents, statistical records, and any other records pertinent to any subaward for the longer of three (3) years after the termination of the subrecipient agreement with PRDOH, or five (5) years after the closeout of the CDBG-DR/MIT grant agreement between PRDOH and HUD, as applicable⁵;
- Subrecipients must execute all final payments related to the grant to corresponding vendors and employees prior to final payment;
- Subrecipients must resolve all outstanding findings issued by PRDOH, HUD, and HUD OIG;
- Subrecipients must repay all funds subject to recapture;
- Subrecipients must forfeit any unspent CDBG-DR/MIT funds;

⁵ For additional information on Record Keeping refer to the PRDOH CDBG-DR Record Keeping, Management, and Accessibility Policy (RKMA Policy) available in English and Spanish in the CDBG-DR website at <https://cdbg-dr.pr.gov/en/download/record-keeping-management-and-accessibility-policy-rkma-policy/> and <https://cdbg-dr.pr.gov/download/politica-sobre-manejo-administracion-y-accesibilidad-de-documentos/>.

- Subrecipient must dispose of all program assets, including the return to PRDOH of all unused materials, equipment, unspent cash advances, program income balances, and accounts receivables attributable to the use of CDBG-DR/MIT funds; and
- Any real property under the Subrecipient's control that was acquired or improved in whole or in part with CDBG-DR/MIT funds (including funds provided to the Subrecipient in the form of a loan) shall be treated in accordance with 24 C.F.R § 570.503 (b)(7).

8.1 Contract Closeout Periods of Time

A Final Activity Report must be submitted within **sixty (60) calendar days** after the SRA end date. If activities were completed before the SRA end date, the **sixty (60) calendar day** period begins from the date after the project/activity(ies) was completed.

After the end of the period of performance, the subrecipient has **ninety (90) calendar days** (or an earlier date agreed upon between PRDOH and the subrecipient) to submit the required documents to PRDOH.⁶

Required documents include, but are not limited to:

- + Financial Reports
- + Performance Reports
- + Final Request for Payment
- + Final Inventory of Property
- + Other reports, as required.

PRDOH will perform the following tasks:

- + Settlements for any upward or downward adjustments to the federal share of cost after closeout reports are received.
- + Refund balances of unobligated cash paid in advance or paid and not authorized to be retained by the Non-Federal Entity for use in other projects.
- + Account for real property acquired with federal funds or received from the federal government.

9 Termination

All contracts more than \$10,000 must address termination for cause and for convenience by PRDOH, including how termination would be determined and the basis for settlement.⁷ PRDOH may terminate an SRA, de-obligate funds made available under the agreement, and/or recapture funds previously expended by the Subrecipient under the agreement

⁶ 2 C.F.R. § 200.344(a)

⁷ 2 C.F.R. Appendix II to Part 200 – Contract Provisions for Non-Federal Entity Contracts Under Federal Awards.

from non-federal funds. Each SRA has a defined set of requirements which subrecipients must comply with in order to avoid a termination of their contract.

9.1 Termination for Cause

PRDOH may terminate any project or activity in whole, or in part, at any time before its completion date, when PRDOH determined that the responsible entity, subrecipient, or contractor has failed to comply with the conditions established in their executed agreement for work done using CDBG-DR/MIT funds. When it is determined that it is necessary to terminate an agreement in order to comply with grant conditions, PRDOH will notify the entity, subrecipient, or contractor in writing and the reasons for the termination.

9.2 Termination for Convenience

CDBG-DR/MIT funded programs administered by subrecipients may be terminated for convenience in whole or in part before completion of the assisted activities in accordance with the requirements in 2 C.F.R. Part 200, Subpart D. Termination may occur by PRDOH with the consent of the subrecipient in which case the two (2) parties shall agree upon the termination conditions, including but not limited to the effective date of termination and the portion to be terminated (applicable to partial termination).

PRDOH shall not incur new obligations for the terminated portion after the effective date and shall cancel as many outstanding obligations as possible. PRDOH will review funds expended for the activity and consider all circumstances under which an activity is to be terminated. The subrecipient may be requested to provide a cost analysis of funds received for the project and the benefits provided for eligible activities. PRDOH and program staff may use this to compare the costs of completing the remaining elements of the project, and determine, on a case-by-case basis, if any eligible, incurred costs will be honored or may require recapture.

9.3 Unavailable Funding

All grant funded activities are contingent upon the availability of funds from HUD. If the funds anticipated for the continuing fulfillment of the Agreement are, at any time, not forthcoming or insufficient, either through the failure of the Federal government to provide funds or the discontinuance or material alteration of the program under which the funds were provided, or if funds are not otherwise available to the PRDOH, the PRDOH has the right to terminate the Agreement without damage, penalty, cost, or expenses to the PRDOH of any kind whatsoever.

10 Grant Closeout

Grant Closeout is the final step of the closeout procedure, and it is triggered when all CDBG-DR/MIT funds have been expended or when the grant agreement between PRDOH and HUD has expired. During this step of the process, PRDOH will work with HUD

to close out the CDBG-DR/MIT grant when it determines that all applicable administrative actions and all required work of the award have been completed in accordance with 2 C.F.R. § 200.344. PRDOH should be provided with a Closeout Checklist and the Grantee Closeout Certification to be completed and submitted to HUD to complete the Grant closeout. Once HUD determines that criteria for closeout has been met, they will complete and execute the Grantee Closeout Certification and PRDOH will have **ninety (90) calendar days** upon execution of the Closeout Certification to submit its final performance report in the DRGR system, if it has not been submitted.

During Grant Closeout, HUD will review the following items in its files and systems for consistency with all closeout documentation submitted by PRDOH:

Line of Credit	To determine if any funds remain in PRDOH's line of credit. If there are any funds remaining, these will be cancelled through the closeout process.
Audit Reports and Monitoring Letter	To determine if there are any monitoring, audit findings, and/or citizen complaints unresolved.
DRGR or Financial Status Reports	To determine if all grant funds have been drawn down and all activities have been completed

Upon grant closeout, CDBG-DR/MIT funds will no longer be available, and PRDOH will not take any further actions against the Project or Program. As required by 24 C.F.R. § 570.509(a), in order for a CDBG-DR/MIT grant to be closed out, the following requirements must be met:

- All CDBG-DR/MIT funds have been expended and drawn down;
- All activities are eligible, physically completed, and met a national objective;
- All accomplishments resulting from the activity have been reported by the Grantee;
- The Grantee has submitted a final performance and expenditure report for the activities completed to HUD;
- All program income received by PRDOH has been expended;
- PRDOH has not expended more than twenty percent (20%) of the grant for planning and administrative costs;⁸
- All responsibilities of the Grantee under the Grant Agreement have been carried out satisfactorily; and
- There is no further Federal interest in keeping the Grant Agreement open for the purpose of securing performance.

⁸ 83 FR 5844 allows for a maximum of twenty percent (20%) of the total grant to be dedicated to administration and planning costs; fifteen percent (15%) should be spent in planning costs and five percent (5%) in administrative costs.

As part of the Grant Closeout procedure, HUD will also prepare and execute a Closeout Agreement with PRDOH to certify that all activities for the CDBG-DR/MIT grant have been completed in accordance with the grant agreement. Any obligations that remain at the time of closeout will be covered by the terms and conditions of the Closeout Agreement.

10.1 Grant Closeout Periods of Time

PRDOH must submit all financial, performance, and other reports, no later than **120 calendar days** after the end date of the period of performance, as required by the terms and conditions of the Federal award.

After all closeout requirements are completed by PRDOH and the subrecipient, they must complete all closeout actions no later than **one (1) year** after the end of the performance period, unless otherwise directed by authorizing statutes. Actions include:

- + HUD actions in the Grant Management System
- + HUD actions in the Payments System

If the Subrecipient does not submit all reports in accordance with this section within **one (1) year** of the period of performance end date, HUD must report PRDOH's material failure to comply with the terms and conditions of the award with the OMB-designated integrity and performance system (currently FAPIIS).

11 Post-Closeout Responsibilities and Adjustments

During the period of Federal award closeout, PRDOH must account for any real and personal property acquired with Federal funds or received from the Federal Government in accordance with 2 C.F.R. § 200.344. After closeout of the Federal award, a relationship created under the Federal award may be modified or ended in whole or in part, after closeout, with the consent of the Federal awarding agency or subrecipient and PRDOH, if PRDOH's responsibilities are met, including those related to property management.⁹

Closeout of a Federal award does not affect any of the following¹⁰:

- The right of HUD or PRDOH to disallow (deny both use of funds and matching credit for) costs and recover funds on the basis of a later audit or other review.
- The subrecipient's obligation to return funds due to the PRDOH from any subsequent refunds, corrections, or other transactions.
- HUD's ability to make financial adjustments to an award that has already been closed.
- Audit requirements as established in 2 C.F.R. 200, Subpart F.
- The PRDOH and/or the Subrecipient's responsibilities regarding property management and disposition as specified in 2 C.F.R. §§ 200.310 – 200.316.

⁹ 2 C.F.R. § 200.345

¹⁰ 2 C.F.R. § 200.345 (a)

- The PRDOH and/or the Subrecipient's compliance with record retention requirements.

12 Recapture of Funds

The Office of Management and Budget (**OMB**) cost principles require that any payment related to CDBG-DR/MIT funds to beneficiaries be **necessary and reasonable**¹¹; and prohibits beneficiaries from retaining excess funds not used for eligible, approved costs. Additionally, providing an applicant or entity with CDBG-DR/MIT funds that exceed what is needed for immediate use is also prohibited and can lead to the recapture of those excess funds¹².

The Robert T. Stafford Disaster Relief and Emergency Assistance Act, (42 U.S.C. 5121 – 5207), as amended, (Stafford Act), and Federal Register Notices, Vol. 84, No. 119 (June 20, 2019), 84 FR 28836, and Vol. 76, No. 221 (November 16, 2011), 76 FR 71060, establish that CDBG-DR funding may only be provided to the extent that it does not duplicate funding provided to a beneficiary for the same purpose. If there are multiple sources of funding which are going to be used towards the same purpose or activity, the CDBG-DR funds that were already disbursed can be recaptured to avoid a Duplication of Benefits. For additional information about Duplication of Benefits refer to the PRDOH CDBG-DR Duplication of Benefits Policy available in English and Spanish at <https://cdbg-dr.pr.gov/en/download/duplication-of-benefits-policy/> and <https://cdbg-dr.pr.gov/download/politica-sobre-la-duplicacion-de-beneficios/> for Spanish.

Unused portions of the grant award will be cancelled by HUD and any funds remaining in possession of the grantee or subrecipient must be returned to HUD. HUD will also recapture any funds that have exceeded the statutory time limit on the use of funds.¹³

13 Federal Compliance Requirements for Closeout

13.1 Citizen Participation

Subrecipients must certify to PRDOH that they have complied with federal and local requirements and regulations, as well as any alternative requirements, and that they have encouraged citizen participation in compliance with the PRDOH Citizen Participation Plan available in English and Spanish at <https://cdbg-dr.pr.gov/en/download/citizen-participation-plan/> and <https://cdbg-dr.pr.gov/download/plan-de-participacion-ciudadana/>. The Subrecipient must provide supporting documentation for review and monitoring upon closeout of the program.

13.2 Recordkeeping

¹¹ 2 C.F.R. § 200.403(a)

¹² 2 C.F.R. § 200.305(b)(1)

¹³ 24 C.F.R. § 570.509(b)(2)

All official records on programs and individual activities must be retained for the greater of **three (3) years** from closeout of the grant or beyond the end of the affordability period for each housing activity, whichever is longer.¹⁴ As a general practice, to ensure compliance with recordkeeping requirements, PRDOH requires that each partner or subrecipient transfer all records to PRDOH, to be retained for a period of **five (5) years** after the CDBG-DR/MIT program has been closed to ensure that all applicable record retention requirements are met.

As per the provisions established at 2 C.F.R. § 200.334 and PRDOH's Recordkeeping, Management, and Accessibility Policy (**RKMA Policy**), PRDOH will maintain these records for a period of **five (5) years** after CDBG-DR/MIT Program closeout except when:

- Any litigation, claim, or audit is initiated before the expiration of the five (5) year period. In such cases, records must be retained until after all litigation, claims, or audit findings involving the records have been resolved, and final action has been taken;
- When HUD notifies PRDOH in writing to extend the record retention period; or
- If there are reports of program income transactions after the period of performance. In these instances, the retention period starts from the end of the fiscal year in which the program income is earned.

Subrecipients and contractors are responsible for record retention during the agreement or contract period, respectively. However, their obligations do not end until all closeout requirements are completed. Agreement/contract closeout involves:

- Determining how files will be transferred from the subrecipient/administering entity/contractor to PRDOH, at the end of the agreement/contract period.
- Providing guidance outlining closeout requirements, six (6) months prior to the agreement/contract closeout.

Programmatic records, reports, documents, or any other material resulting from CDBG-DR/MIT funded programs, projects and/or activities shall be turned over to PRDOH at the conclusion or termination of the contract, or earlier, at PRDOH's discretion. Subrecipients should maintain, at a minimum, the following records:

Administrative Documentation	<ul style="list-style-type: none">• Overall administrative records and related files for each activity• Personnel files (including an Organizational Chart)• Property Management files• Contracts (e.g., Subcontractor contracts, Memorandum of Understanding, etc.)• Program Award files (applications and related records)
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¹⁴ See 2 C.F.R. § 200.334 on Retention Requirements for Records and 24 C.F.R. § 570.490(d) on Record Keeping Requirements.

	<ul style="list-style-type: none"> • Policies and procedures • Compliance reports (e.g., Monitoring reports)
Financial Management Records	<ul style="list-style-type: none"> • Chart of accounts • Accounting policies and procedures, including journals and ledgers) • Source documentation (purchase orders, invoices, bank records, etc.) • Procurement files • Bank account records and financial reports • Audit records
Program/Activity Records	<ul style="list-style-type: none"> • Project activities, eligibility, and national objective • Environmental review records • Beneficiary information • Compliance in use or Real Property, acquisition, displacement, relocation, and replacement housing, etc. • Federal Compliance documentation (Fair Housing, Section 3, Davis-Bacon, etc.)

For additional information, please refer to the RKMA Policy for CDBG-DR/MIT Programs available in English and Spanish on the PRDOH CDBG-DR website at <https://cdbg-dr.pr.gov/en/download/record-keeping-management-and-accessibility-policy-rkma-policy/> and <https://cdbg-dr.pr.gov/en/download/record-keeping-management-and-accessibility-policy-rkma-policy/>

13.3 Section 3 of the Housing and Urban Development Act of 1968

Section 3 of the Housing and Urban Development Act of 1968 (**Section 3**), as amended, 12 U.S.C. §1701u, requires that recipients, subrecipients, contractors and subcontractors performing covered construction activities funded in whole or in part with CDBG funds extend hiring opportunities and contracts to Section 3 eligible residents and businesses to the greatest extent feasible. PRDOH will make every effort to ensure that subrecipients of Section 3 covered funding as well as their contractors and subcontractors comply with Section 3 responsibilities in accordance with 24 C.F.R. Part 75, Subpart C.

Therefore, prior to project and/or program closeout, PRDOH will perform a review of the project file to ensure compliance with Section 3 requirements. Subrecipients and/or contractors will be responsible for providing documentation required to close out their respective project files, including Section 3 Plans submitted, quarterly PRDOH reporting submitted, annual HUD report(s), documentation of efforts submitted, self-identification forms submitted, and labor hours documentation for Section 3 Workers and Targeted Section 3 Workers.

For additional information, please refer to the Section 3 Policy for CDBG-DR/MIT Programs available in English and Spanish on the PRDOH CDBG-DR website at <https://cdbg-dr.pr.gov/en/download/section-3-policy/> and <https://cdbg-dr.pr.gov/download/politica-sobre-seccion-3/>.

13.4 Davis Bacon Act (40 U.S.C. § 3141-3148)

The Davis Bacon Act requires the payment of prevailing wage rates to all laborers and mechanics on Federal funded construction contracts in excess of \$2,000. To ensure compliance with this requirement, once a project is completed and the contractor has flagged that it has submitted its last certified payroll, the PRDOH Davis-Bacon Unit will complete an Administration, a Contractor, and a Reporting File Checklist to ensure all project documentation is on file, has been properly archived, and stored. For each construction project, the Davis-Bacon Unit will ensure that:

- All Semi-Annual Labor Standards Enforcement Reports (form HUD-4710) and Section 5.7 Enforcement Reports have been submitted and are properly documented and stored for each Davis-Bacon covered project;
- The Agency On-site Monitoring Review guide (form HUD-4741) and Monitoring Review guide (form HUD-4743) have been completed and all files are properly archived and stored; and
- That no outstanding issues remain and all deficiencies, if any, have been remedied.

The PRDOH Davis-Bacon Unit will provide the Subrecipient/contractor with a Closeout Memorandum and a Record Retention Letter notifying the program that all documents have been received, reviewed, and archived and that any holds on final payments or retention may be lifted.

For additional information, refer to the Davis Bacon and Related Acts Policy available in English and Spanish on the PRDOH CDBG-DR website at: <https://cdbg-dr.pr.gov/en/download/davis-bacon-and-related-acts-policy/> and <https://cdbg-dr.pr.gov/download/politica-sobre-la-ley-davis-bacon-y-las-leyes-relacionadas/>.

13.5 Occupational Safety and Health (OS&H)

To ensure compliance with occupational safety and health standards for CDBG-DR/MIT programs, as established in the PRDOH Occupational Safety and Health Policy (**OS&H Policy**), PRDOH will perform a file review of safety reports, submitted documents, and other documents required to be on file prior to closeout. Program subrecipients/contractors implementing the CDBG-DR/MIT Program are responsible for complying with the requirements contained in the OSH Policy and providing documentation, as requested, throughout the program implementation and before project closeout.

For additional information, please refer to the OSH Policy available in English and Spanish on the PRDOH CDBG-DR website at: <https://cdbg-dr.pr.gov/en/download/osh-r3-guideline/> and <https://cdbg-dr.pr.gov/download/politica-osh/>.

13.6 Fair Housing and Equal Opportunity (FHEO)

Pursuant to PRDOH's Fair Housing and Equal Opportunity Policy (**FHEO Policy**) and federal laws and regulations, PRDOH, its subrecipients, contractors, and other program participants must ensure that CDBG-DR/MIT activities are conducted in a manner which will not cause discrimination on the basis of race, creed, color, national origin, religion, sex, disability, familial status, gender identity, sexual orientation, marital status, or age.

Therefore, prior to program closeout, PRDOH will perform a review of all documentation on file. Notification will be provided if documentation or reports are found to be missing and will be required to be completed in order to close out the program or contract. Subrecipients and contractors must detail their fair housing activities and compliance with the Equal Employment Opportunity Act of 1972 (**EEO**), Pub. L. 92-261, Title VIII of the Civil Rights Act of 1968 (**Fair Housing Act**), as amended, 42 U.S.C. § 3601, *et seq.*, the Americans with Disabilities Act of 1990 (**ADA**), as amended, 42 U.S.C. § 12101 *et seq.*, and Section 504 of the Rehabilitation Act of 1973, as amended, 29 U.S.C. § 701 *et seq.*

For additional information, please refer to the FHEO Policy available in English and Spanish on the PRDOH website at: <https://cdbg-dr.pr.gov/en/download/fair-housing-and-equal-opportunity-fheo-policy-for-cdbg-dr-programs/> and <https://cdbg-dr.pr.gov/download/politica-de-equidad-de-vivienda-e-igualdad-de-oportunidades-para-los-programas-cdbg-dr/>.

13.7 Minority and Women-Owned Business Enterprises (M/WBE)

PRDOH must take necessary steps to ensure that all subrecipients, contractors, subcontractors, and/or developers funded in whole or in part with CDBG-DR/MIT financial assistance ensure that, when possible, contracts and other economic opportunities are directed to small and minority firms, women-owned business enterprises (**WBEs**), and labor surplus area firms.

Prior to closeout, PRDOH will perform a review of the project file to ensure it contains all the appropriate documentation including the M/WBE Utilization Plan, quarterly reporting, documentation of efforts, and any other supporting documentations needed on file. All subrecipients and contractors will be responsible for providing documentation needed to close their respective project files.

For additional information, please refer to the Minority and Women-Owned Business Enterprise Policy (M/WBE Policy) available in English and Spanish on the PRDOH CDBG-DR website at: <https://cdbg-dr.pr.gov/en/download/mwbe-policy/> and <https://cdbg-dr.pr.gov/download/politica-mwbe/>.

END OF POLICY.