

Ensuring CDBG Subrecipient Timeliness

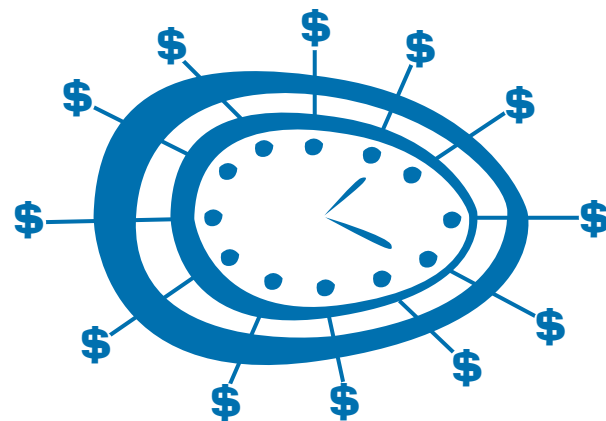
Guidelines for Grantee Selection,
Management, and Oversight of
Subrecipients in the Community
Development Block
Grant Program



U.S. Department of Housing and Urban Development
Mel Martinez, Secretary
Roy A. Bernardi, Assistant Secretary for Community Planning and Development

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Guidelines for Grantee Selection, Management, and Oversight of Subrecipients in the Community Development Block Grant Program



Preface

Subrecipients have participated in the Community Development Block Grant (CDBG) entitlement program since its inception in 1974. Traditionally, subrecipients have carried out such activities as public services, housing rehabilitation, and economic development.

At a series of workshops held to provide entitlement grantees with technical assistance on managing a timely CDBG program, CDBG peer practitioners spoke to issues related to subrecipients that affect a grantee's overall timely performance. This guidebook addresses those issues by identifying management techniques that grantees can incorporate into their day-to-day operations to inject a timeliness perspective into the selection and oversight of activities undertaken by subrecipients. This publication also offers some possible short-term and long-term solutions for situations where subrecipients are not conducting their activities in a timely manner.

Concurrent with the development of this guidebook, which focuses on the issue of timeliness, HUD is also updating three publications on subrecipients that were originally issued in 1993. These publications, listed below, have proved to be valuable tools over the years and will be reissued shortly.

- ❖ "Managing CDBG: A Guidebook for Grantees on Subrecipient Oversight."
- ❖ "Playing by the Rules: A Handbook for CDBG Subrecipients on Administrative Systems."
- ❖ "Training Guide for CDBG Grantee Training of Subrecipients in Administrative Systems."

This pamphlet is intended to be used in conjunction with "Managing CDBG: A Guidebook for Grantees on Subrecipient Oversight." For example, the appendix to chapter 2 of the guidebook contains a model application package that may be used when subrecipients apply to a grantee for funding; the appendix to chapter 3 presents a model subrecipient agreement. The updated versions of these three publications plus "Ensuring CDBG Subrecipient Timeliness" will all be available on the Office of Community Planning and Development (CPD) library page on the HUD Web site at <http://www.hud.gov/offices/cpd/communitydevelopment/library/>.



Introduction

Communities that receive entitlement funds from the CDBG program are required to use their funds in a timely manner. Some communities develop a funds backlog because their subrecipients—entities that receive CDBG dollars to carry out programs on behalf of the grantee—fail to draw down funds either on schedule or at all. Untimely subrecipients with large backlogs of CDBG dollars can push a community’s entire program into noncompliance with HUD’s timeliness standard.¹ This publication provides guidance on selection, management, and oversight of subrecipients using techniques to promote timely performance. It also provides advice on how to deal with untimely subrecipients.

The CDBG regulations at 24 CFR §570.500(c) define a subrecipient as:

a public or private nonprofit agency, authority, or organization, or a for-profit entity authorized under §570.201(o), receiving CDBG funds from the recipient or another subrecipient to undertake eligible activities. The term excludes an entity receiving CDBG funds from the recipient under the authority of §570.204, unless the grantee explicitly designates it as a subrecipient.

Many subrecipients are private, nonprofit organizations, such as social service agencies and community development corporations. Subrecipients may also include independent public agencies, such as urban renewal agencies, housing authorities, and water and sewer districts.

While there is no requirement to use subrecipients, most grantees rely on these entities in varying degrees to carry out eligible CDBG activities on their behalf. One of the primary purposes of the CDBG program is to give local governments the flexibility to address the diverse needs of low- and moderate-income residents. As a result, subrecipients carry out many activities local governments cannot or choose not to undertake. Many communities, for example, find it more cost effective to award CDBG funds to a nonprofit organization to operate a new homeless shelter or build a daycare center than doing it themselves. In addition, a community-based nonprofit with a history of neighborhood involvement is more likely to mold a program to the residents’ needs and to attract more clients than an outside program.

Grantees also typically award CDBG funds to departments of social services, public works, parks and recreation, and other public agencies within local government. While §570.500(c) excludes these public agencies from the regulatory definition of a subrecipient, §570.501(a) requires that grantees apply the same requirements to public agencies as apply to subrecipients. Therefore, many timeliness issues and strategies discussed in this publication also apply to public agencies awarded CDBG funds.

¹“HUD will consider an entitlement recipient to be failing to carry out its CDBG activities in a timely manner if, 60 days prior to the end of the grantee’s current program year, the amount of entitlement grant funds available to the recipient, but undisbursed by the U.S. Treasury, is more than 1.5 times the entitlement grant for its current program year.” [24 CFR §570.902(a)]

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This pamphlet is divided into two parts. Part I offers program management strategies to ensure subrecipient timeliness. Part II presents strategies to help identify and solve existing problems with untimely subrecipients.

Part I. Ensuring Subrecipient Timeliness

Good program management strategies will ensure that subrecipients draw down funds at an acceptable rate and will prevent them from falling behind schedule. These strategies include:

- * Screening and selecting subrecipients and activities that will meet timeliness standards.
- * Incorporating project milestones, drawdown schedules, and reporting provisions into subrecipient contracts, and using the contract as a management tool for timeliness.
- * Training, monitoring, and frequent communication with subrecipients.
- * Dealing with subrecipient program income.
- * Instituting and implementing sanctions for untimely subrecipients.
- * Reallocating funds from untimely subrecipients to activities that are ready to move.
- * Communicating the importance of subrecipient timeliness to elected officials.

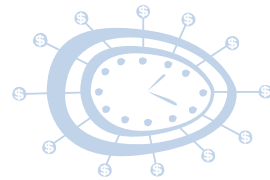
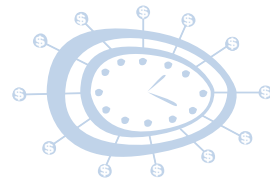
Select Subrecipients and Activities That Will Meet Timeliness Standards

Establish an application calendar for subrecipients. Start the application process at least 6 months before the start of your next program year to allow enough time to make an informed selection of subrecipients. Develop a timetable and schedule indicating when necessary actions will take place.

Prescreen applicants and proposed activities. Hold an orientation session for prospective applicants to discuss the local CDBG program and program requirements. Discuss your expectations for subrecipients. Emphasize that an applicant seeking funding needs to have a clear concept of the proposed activity and its readiness to proceed. Explain the importance of timeliness and describe your strategies for ensuring timely drawdowns: selecting subrecipients with the capacity to be timely, enforcing contractual requirements, and sanctioning untimely subrecipients.

Use this opportunity to screen out entities that don't meet the CDBG definition of subrecipient or don't have a specific project proposal. You may wish to provide technical assistance to such entities so they may subsequently participate in the CDBG program.

Hold individual pre-proposal meetings with prospective applicants to refine further the applicant's proposal. Review the entity's administrative capacity to meet CDBG requirements and draw down funds on time. Discuss the proposed project budget, other needed funding sources, the timeline for implementation, and any issues seen as stumbling blocks to prompt program delivery. Get a sense of whether the organization should apply now or wait until next year. If you conclude





that a proposed activity cannot be completed or nearly completed in 1 year, recommend that the project be phased; for example, by funding the design and engineering this year and construction the next year.



Develop an application form for subrecipients that incorporates timeliness issues. Develop a subrecipient application form that (1) shows the readiness of the project to proceed once funded and (2) documents the organization's capacity to execute and complete the project on schedule. See the appendix to chapter 2 of the guidebook on subrecipient oversight for a model subrecipient application package.



Review the applicant's management capacity.

- * Has the applicant undertaken this type of activity in the past? With what result?
- * Does the applicant have experience with CDBG or other Federal grants? If your community funds a high proportion of inexperienced organizations each year, you will need to allocate more staff time to monitor and provide technical assistance to these organizations. Equally important, funding a large number of new subrecipients increases the risk that several will experience delays, possibly causing you to fail the timeliness standard.
- * If the applicant received CDBG funds in prior years, was the project satisfactory and completed on time? Does the entity have unexpended CDBG funds or program income that can be carried over for this proposal?
- * Did the applicant submit an acceptable financial statement or audit? Review it for any findings or indications of potential problems. Enlist the help of the locality's financial office if there are questions.
- * Does the applicant employ sufficient, qualified staff to ensure the activity gets under way promptly and is completed on time?
- * If additional staff has to be hired, will the project be delayed as a result?
- * For the subrecipient lacking adequate capacity, particularly where there will be pressure to fund its activity, consider limiting funding to technical assistance or capacity building for the first year.

Review the proposed activity in relation to timeliness.

- * Is the activity a priority in your community? Is it already listed in your Consolidated Plan? Does the proposal duplicate other activities already in place? Experience indicates that the most needed projects are the most likely to get started and completed on time.
- * For capital projects, what are the potential delays? Will environmental reviews (for wetlands or historic structures, for example), relocation requirements, or necessary permits delay start and completion of the project? Does the applicant have site control?

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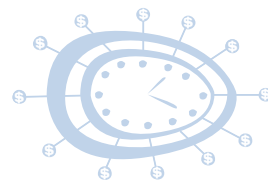
- * For public service activities in leased space, does the applicant have an executed lease that extends the length of the project?
- * For public service projects, consider funding salaries or items easily documented and predictable. This will encourage regular monthly or quarterly drawdowns.
- * Is the program currently operational, and, if required, does the subrecipient have a current license?
- * Is there a realistic, detailed budget showing funding from CDBG and other sources?
- * Is all other necessary funding in place or committed? Do not allow subrecipients to stockpile money from multiple years to undertake an activity.
- * For capital projects, did an engineer or architect prepare the budget?
- * Is there a detailed project schedule with milestones showing that all CDBG-funded items will be completed during the period requested and on deadline?
- * Should the project be phased because of its size or complexity?

Establish a rating system for applications that considers both organizational capacity and the proposed activity.

- * Establish thresholds. Consider establishing minimal funding levels to avoid a large number of small projects. This will ensure that you have enough staff to work with and monitor each subrecipient.
- * Do not re-fund subrecipients that have been untimely or have a large amount of unexpended CDBG funds.
- * Limit the number of projects that one subrecipient may undertake annually.
- * Establish a priority for subrecipients experienced with the CDBG program or other Federal grants. Timely grantees generally limit the number of inexperienced subrecipients.
- * Give higher ratings to subrecipients that have been timely in the past and have relatively small unexpended balances.
- * Consider giving bonus points to proposals with matching funds already in place for the project. The availability of matching funds indicates the project is a priority for the subrecipient and likely to get started and completed on time.

Incorporate Timeliness Controls Into Subrecipient Contracts

A subrecipient agreement provides the management tools to measure and ensure subrecipient timeliness. See the appendix to chapter 3 of the guidebook for model agreements. CDBG regulations at §570.503 explicitly and implicitly require the following contract provisions:





- * A schedule for completing the work. This schedule should include a timetable of project milestones and a drawdown schedule tied to completion of each milestone. Milestones should be geared to the individual project, and the timing should be realistic. Indicate whether the subrecipient will submit monthly, quarterly, or periodic requests for payment. (For example, a subrecipient operating a daycare center will make monthly drawdowns tied to allowable monthly expenses for salaries.)
- * A suspension and termination clause. This provision authorizes you to terminate a contract with an untimely subrecipient. The project milestones in the subrecipient's contract will give you important ammunition if you do need to terminate a contract for lack of progress.
- * Statistical and narrative reports from the subrecipient. These reports document the number of clients served, for example, and discuss project progress and any problems incurred. Many grantees attach a standard reporting form to the subrecipient agreement. Specify report frequency and submission dates. Consistency in report format and submission dates will enable you to build a picture of the entire grant program based on the same time period.
- * Grantee monitoring of the subrecipient, both on site and by telephone. You have the right of access to the subrecipient's records regarding any CDBG-funded activity. You should monitor and conduct followup visits or telephone calls to assure compliance with the applicable requirements and achievement of performance goals.

Train and Monitor Subrecipients to Keep Activities and Drawdowns on Schedule

Training. Train subrecipients about the requirements of the block grant program. Particularly advise them about the importance of timeliness. Provide technical assistance on the process for drawing down funds.

- * Hold orientation and training at the beginning of the grant year for all subrecipients on the "rules of the game." Use the "Training Guide for CDBG Grantee Training of Subrecipients in Administrative Systems." Also, provide your subrecipients with a copy of "A Handbook for CDBG Subrecipients on Administrative Systems." Copies of both publications are available at the CPD Library page on the HUD Web site at <http://www.hud.gov/offices/cpd/communitydevelopment/library/>.
- * Stress the importance of timeliness. At the training, discuss the expenditure request forms, required documentation, and other items related to drawdowns. This training will pay off. If subrecipients fill out expense forms correctly and attach the required documentation, there will be fewer delays in approving and processing their requests for funds.
- * Provide technical assistance during monitoring visits as needed.
- * Find experienced subrecipients willing to mentor less experienced subrecipients.

Monitoring. Monitor subrecipients regularly. According to grantees that consistently meet the timeliness standard, frequent and regular communication with subrecipients is the most effective way to ensure subrecipient timeliness.

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- * In the beginning of the grant year, establish an onsite monitoring schedule for each subrecipient. Establish staff responsibility for subrecipient oversight for specific entities. Plan more frequent monitoring for new subrecipients or subrecipients undertaking new kinds of activities.
- * **Monitoring Guide:** Develop a monitoring guide or checklist to encourage consistent and thorough monitoring. Use the outline provided in the appendix to chapter 5 of the guidebook as the basis for your checklist.
- * **Grantee staffing strategies:**
 - * If staff size permits, develop staff subrecipient specialties (e.g., public services, housing, and economic development). Specialization can produce better technical assistance, monitoring, and timely drawdowns.
 - * Allocate adequate staff time for effective monitoring.
 - * Train staff in monitoring, including timeliness issues.
 - * Document monitoring results.
- * Use onsite visits and telephone calls to keep up to date on project progress and on any problems or items that would delay the project and, as a consequence, the drawdowns. Encourage subrecipients to report any problems with CDBG-funded activities so you can help solve problems and keep projects and expenditures on track.

Reviewing Subrecipient Reports. Utilize the subrecipients' monthly or quarterly progress reports to track performance and events that might affect subrecipient timeliness. Follow through with a telephone call or site visit if you uncover a problem. If a project gets bogged down, the subrecipient will not be drawing down funds.

Tracking Subrecipient Expenditures

Establish a tracking system for each subrecipient's obligations, expenditures, drawdown requests, and reimbursements to provide a running balance of total subrecipient expenditures to compare to drawdown schedules. You should require regular drawdowns throughout the year, because some subrecipients have a tendency to wait until the end of the year to request funds.

- * Generate financial information regularly so the director and monitoring staff will have current information about subrecipients' drawdowns. Most grantees develop a standard expenditure request form showing total project amount, the date and amount of each drawdown, and balance of funds. The balance line alerts the subrecipient and the grantee to the progress in drawing down funds.
- * Track expenditures throughout the year. Subrecipients that fall behind schedule in their requests for funding should be subject to monitoring, technical assistance, and potential termination.



- ❖ Call and follow through with a letter to each subrecipient not drawing down according to plan to discuss the entity's untimely performance. This will help you meet HUD's 1.5 standard for the overall grant.

Dealing With Subrecipient Program Income

Because subrecipient activities, particularly housing rehabilitation and economic development projects, may generate a large amount of program income each year, managing the use of program income can be just as important as managing grant funds. Under CDBG regulations, subrecipients must use their program income before they can request additional CDBG funds. Therefore, if grantees and subrecipients do not properly anticipate program income, subrecipients can quickly develop large unexpended balances. Be sure to include estimated program income when determining the amount of subrecipient funding.

For some subrecipients, the added burden of using such income in addition to grant funds may make it unlikely they can maintain timely expenditures of their CDBG funds. One way to deal with the situation is to require a problematic subrecipient to return program income. You can award these funds to the same subrecipient or to another subrecipient for timely performance, or retain the funds for other purposes.

A unique situation arises with income generated by activities operated by community-based development organizations (CBDOs). Under CDBG regulations, a CBDO is not considered a subrecipient unless the written agreement explicitly says it is. The principal significance of this determination is whether income the CDBG funds may produce will be considered program income. By definition, program income is income received by the grantee or a subrecipient. All program income must be disbursed before additional drawdowns can be made from the line of credit. If a CBDO is not designated as a subrecipient and its use of CDBG funds produces income that is not required to be returned, such income will not be recognized as program income. As such, the CBDO may draw down funds even though it has cash on hand. It is still possible to specify how and when such funds may be used by the CBDO through the terms of the written agreement, even if the income is not CDBG program income. Thus, in your overall strategy for keeping your CDBG subrecipients timely, any award of funds to a CBDO should include consideration of whether the entity will be deemed to be a subrecipient. Of course, there are substantial reasons why you may want to have any income produced by a CBDO considered CDBG program income, but all aspects of this matter should be carefully thought through before the award is made.

Part II. Identifying and Working Out Current Subrecipient Timeliness Problems

As well as the obvious advantages, there are also disadvantages and risks attached to operating programs through a subrecipient. An inexperienced neighborhood organization or nonprofit entity may violate CDBG regulations, lack administrative capacity, or have difficulties starting or completing the project. If one or more subrecipients experience these problems, your entitlement program can become untimely. This section presents a process that a grantee with an

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untimely subrecipient can follow to identify the extent and underlying causes of the problem and to develop a workout plan to improve performance.

Determine the Extent of the Subrecipient Drawdown Problem

The first step in determining the extent of the problem is to identify which subrecipients are not carrying out their programs in accordance with the timetable or schedule in their subrecipient agreements or are not promptly submitting vouchers for payment for work performed. Your system for tracking subrecipient expenditures should highlight poor performers. If you don't have such a system, that may be part of the problem. Progress reports submitted by the subrecipient and the monitoring reports you prepare are other sources of useful information.

Determine the Underlying Reasons for Subrecipient Untimeliness and Develop Strategies to Address Each Type of Problem

Once you identify that a subrecipient has a problem, the next step is to determine the reasons for slow progress. Both you and the subrecipient need to be involved in this assessment. Talk to the subrecipient on site or by telephone about the status of the project and discuss the causes for the delay in project implementation and/or in drawing down funds. By combining this updated information with previous monitoring data, you can develop a profile of underlying reasons for the subrecipient's drawdown problems.

The following table highlights some typical problems with subrecipients and offers short-term and long-term strategies to address them:

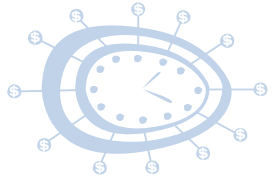
Problem	Grantee Action
Subrecipient is not submitting requests for payment or is considerably behind schedule in submitting them.	<ul style="list-style-type: none">● Contact the subrecipient. If the problem is only a failure to send in the requests for payment, have the subrecipient immediately send in overdue requests.● Make sure the subrecipient has a designated person responsible for submitting vouchers on a regular basis.
Subrecipient submits payment requests, but you cannot approve them. Either the subrecipient fills out the request form incorrectly or does not attach valid or appropriate documentation. Example: A women's shelter cannot supply receipts for purchasing a 2 months' supply of frozen food.	<ul style="list-style-type: none">● Provide technical assistance on the appropriate documentation to be submitted.● For public service projects, consider switching CDBG funding to a different line item within the subrecipient's project. As standard practice, fund those activities or budget line items that are the simplest to document.● Rather than fund food at a homeless shelter, reimburse the shelter for a staff salary or an item with predictable, monthly expenditures that are easy to document (e.g., rent).





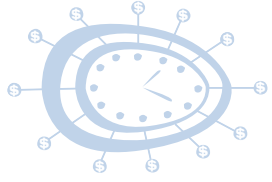
A subrecipient renovating a homeless shelter cannot get the contractor to submit the certified payrolls.

- Failure to submit the required certified payrolls often delays drawdowns for capital projects. Offer to work with the subrecipient's contractor on the problem. Remind the contractor and subrecipient that you will not release CDBG funds to pay the contractor until you receive all required certified payrolls from the contractor and subcontractors.



The subrecipient is no longer performing the activity being funded and, therefore, is not submitting drawdown requests. For example, a daycare center laid off the speech therapist funded with CDBG funds.

- Determine if the subrecipient anticipates hiring a replacement and when. If not, determine if another eligible expense should be funded. Amend the contract to accommodate the new activity.
- If this is not workable, recapture and reallocate the funds to another project.



As a result of accumulated program income, the subrecipient is not drawing down CDBG funds.

- Determine if the project can and should absorb this amount of program income. Possibly expand the scope of the project or add new activities.
- Consider a standard provision in the subrecipient agreement that requires that (1) all program income be returned to the grantee when earned; or (2) all remaining program income be returned to the grantee at the end of the program year or sooner if funds accumulate in excess of need. This program income may be returned to the same subrecipient or awarded to another activity that will use it faster.

A major project has stalled in its preliminary stage. There is little or no chance the subrecipient will complete the project by the end of the grant year as scheduled.

- There are two ways to resolve this existing problem.
 1. Restructure or phase the project. Leave funding for only part of the project and defer the other phases to next year. This frees some of the original award for another activity that can be completed this year. For example, if a capital project is stalled in the design phase, recapture all but the architectural or engineering expenses. Fund the construction or subsequent phases in the future; or
 2. If the subrecipient cannot restructure the project, then terminate it. Suggest the subrecipient reapply for future funding when the activity can proceed on schedule. Subrecipient contracts are required to include a termination clause for nonperformance.
- For better funds management, make it a practice to phase funding for very large, complex, or long-term projects over several program years.

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You cannot find eligible activities that can use the funds freed up from canceled or restructured subrecipient projects.

- Reallocate available funds to previously unsuccessful applicants for assistance or to a project that is under way but requires more funds to complete.
- Consider annually identifying in your Consolidated Plan a list of optional activities you would fund if other projects fell out or you received unanticipated program income.

The same subrecipients are untimely year after year.

- Develop workout plans for these subrecipients to help resolve their untimely performance.
- Adopt the following policies for all subrecipients to prevent this problem in the future:
 - Prohibit subrecipients with excessive unexpended balances from applying for additional funds until they resolve the problem.
 - Adopt more stringent application criteria or develop a rating system that penalizes applicants that do not spend previously awarded funds on schedule.
 - Establish automatic penalties that reduce any future grants untimely subrecipients might receive.

Workout plans for untimely subrecipients

For subrecipients that have the capacity to improve their performance, the next step is to develop a workout plan that guides efforts to improve expenditure rates and provides a baseline for measuring progress. HUD may require an untimely grantee to prepare a workout plan for the entire local CDBG program. Grantees, timely and untimely, may find it helpful to implement individual workout plans with untimely subrecipients to improve expenditure rates for specific activities.

The purpose of a subrecipient workout plan is to reduce the entity's unexpended CDBG balance by:

- * Providing a baseline for assessing the untimely subrecipient's progress against its workout plan over the covered time period.
- * Focusing both the grantee and the subrecipient on the areas of the subrecipient's program that appear to have produced the funds backlog and the actions that need to be taken to address the problem.

Each workout plan should be tailored to the subrecipient's unique situation, reflecting the size and complexity of the entity's project and the amount of funds that must be drawn down.

To be an effective tool for overcoming a funds backlog, each subrecipient workout plan should contain the following elements.

Identification of the main causes of the funds backlog. You should work with the subrecipient to conduct a thorough review of the CDBG-funded project to: (a) identify areas that have, or can, lead to delays and (b) determine what changes can be made to strengthen project implementation.

Identification of project modifications. The subrecipient may be able to simply speed up one or more existing activities by taking specific actions. If so, describe any such actions the subrecipient needs to take and the expected results. List the specific activities that will either be modified or terminated and the amount of CDBG funds expected to be reallocated to other eligible uses.

Other planned actions. Indicate any other steps that will help the subrecipient reduce the excess backlog within the time period covered by the plan, including training, hiring staff, technical assistance, or securing cooperation from the mayor or county executive to speed up CDBG projects. List all such planned actions, when they will occur, and the expected result(s).

Milestone schedule. Develop a schedule listing the milestones or key actions that you and the subrecipient will take to reduce the backlog. Show the planned start and finish date for each milestone. For example, the milestones for a subrecipient constructing a daycare center would include:

- 7/21–8/9 Bid phase for contractor
- 8/10 Selection of contractor
- 8/11 Submit first request to cover advertising and bid phase expenses.
(2% of total project budget)
- 8/12–8/21 Contractor secures building permit
- 8/25 Preconstruction meeting
- 9/30 First progress meeting. Architect certifies project is 5% complete. Submit second payment request (5% of project budget).

Drawdown projection. Include a projection of the amount of CDBG funds that the subrecipient should draw down monthly during the period covered by the workout plan. Show the total amount of the subrecipient's excess backlog expected to be reduced during the overall plan period.

Commitment from the subrecipient. Require the subrecipient's board president or chief executive officer to state in writing that the organization is committed to carrying out the workout plan and to reducing the organization's funds backlog by the amount stated in the plan.

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Carrying out the plan. Assign CDBG staff to monitor the subrecipient's progress in meeting the workout plan milestones and drawdowns. Have the staff monitor make regular progress reports to the grants manager and include workout plan progress reports on the agenda of regular staff meetings. Give continual feedback to the subrecipient about its compliance with the workout plan.

For more detailed information about workout plans, see the HUD publication "Developing and Implementing a CDBG Workout Plan" on the CPD Library page of the HUD Web site at <http://www.hud.gov/offices/cpd/communitydevelopment/library/>.

Take action against untimely subrecipients. A properly written subrecipient agreement authorizes the grantee to take actions against untimely subrecipients, including canceling projects or recapturing funds. The CDBG regulations at §570.503 require that contracts include provisions for (1) a schedule for completing work, (2) reporting obligations, and (3) suspending and terminating the activity for nonperformance.

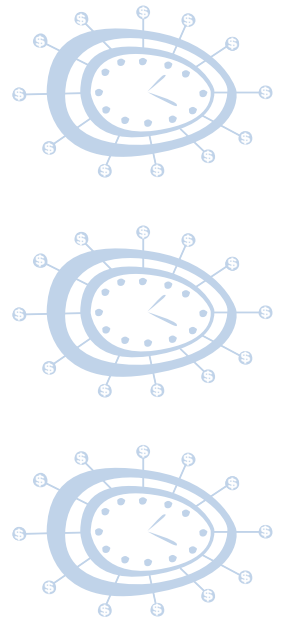
If you recapture funds from a subrecipient, you have many options for reallocating those dollars:

- * Reallocate funds to existing, faster moving projects, such as housing rehabilitation loans, that can absorb these funds within the grant year or to projects with a shortfall of funds.
- * Reallocate funds to entities on a waiting list of potential subrecipients identified in the Consolidated Plan or elsewhere that did not receive awards because demand for CDBG funds exceeded the supply.
- * Hold a competition open only to timely subrecipients.
- * Use the recaptured funds to repay your Section 108 loan, where possible.

Enlist the Support of Elected Officials for Subrecipient Timeliness

If elected officials understand the significance of timeliness, they are more likely to support your policies and actions to meet timeliness standards. Officials need to know that an untimely subrecipient can push your community over HUD's 1.5 standard, thus jeopardizing next year's CDBG grant. Therefore, localities need to select nonprofits with the administrative capacity to handle the complexities of Federal grants. Equally important, it is critical to fund subrecipient activities that can be completed promptly.

Give elected officials perspective on the CDBG program—an entitlement grant with more than 27 years of success and political support. Given the program's relative predictability, it makes sense to reserve scarce CDBG funds for eligible activities that you or your designated subrecipients can complete preferably within a year. It is important that CDBG funds go to the entity with the greatest capacity to complete a project in the scheduled time period. Orient local officials to fund specific projects or activities, rather than specific organizations. Nonprofit groups are not entitled to receive grants. Each year it is critical to meet timeliness standards by funding organizations with activities that can be completed on schedule.

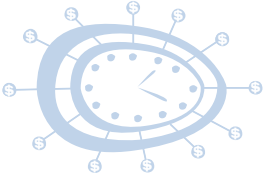


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Some effective strategies for communicating the importance of timeliness to elected officials include:

- * Meet with officials each time there is a new election, and provide an orientation on the CDBG program and the importance of timeliness.
- * Enlist the help of your HUD Field Office, which can send letters to or meet with elected officials about the importance of subrecipient timeliness.
- * Meet or send a letter to key officials at the start of the grant year to reiterate the importance of subrecipient timeliness and lay out the strategies and policies of the local CDBG office to ensure timeliness.

Educate your local officials. They will be more likely to accept both the changes you may need to make to projects in their jurisdictions and the pressure you may need to place on some of their constituency agencies if they understand the urgency and possible consequences of having a large backlog of unspent CDBG funds.





The following three publications are available to assist CDBG entitlement grantees in carrying out their program in a timely manner:

Keeping Your CDBG Funds Moving: Guidelines for Managing Your Overall Community Development Block Grant Program in a Timely Manner.

Developing and Implementing a CDBG Workout Plan: Guidelines for Putting Your Community Development Block Grant Program on the Road to Timeliness.

Ensuring CDBG Subrecipient Timeliness: Guidelines for Grantee Selection, Management, and Oversight of Subrecipients in the Community Development Block Grant Program.

Check out the HUD Web site at www.hud.gov/cpd/communitydevelopment/library for these and other Community Development publications.



