

## OVERVIEW OF GRANTS ADMINISTRATION PROCESS

### I. INTRODUCTION

Implementation and management of Community Development Block Grant (CDBG) projects is an ongoing process that requires adherence to many state and federal laws and regulations and coordination of multiple activities that must be conducted within specific time frames.

This introductory chapter provides a general overview of the CDBG grant administration process with emphasis on the following:

- A. A chronological listing of the major steps involved in grant administration;
- B. A discussion of each administrative activity that summarizes required tasks and highlights Arkansas Economic Development Commission submittals; and
- C. A brief discussion of major state and federal laws, regulations and Arkansas Economic Development Commission policies that are applicable to most projects.

Because it is the ultimate responsibility of the grantee to ensure that all provisions of the grant agreement are carried out, it is important that the **grantee** be familiar with all provisions of this ACEDP Administrative Procedures Manual. As programmatic questions arise, they should be referred to the Arkansas Economic Development Commission grants manager assigned to the project.

Submission of several documents will not be dependent upon a specific event but will be determined by a specified date. **All grantees with executed grants** must submit the following documents by the dates specified below:

DOCUMENT	DUE DATE(S)
<b>Audit Plan (If ACEDP funds are received)</b>	<b>January 31</b>
<b>Semi-Annual Labor Compliance Report</b>	<b>April 1 and October 1</b>
<b>Annual Audit</b>	<b>June 30</b>
<b>Disclosure Reports</b>	<b>Whenever financial interest in the project changes from the original report</b>
<b>Annual Contract/Subcontract Activity Report</b>	<b>October 1</b>
<b>Annual Section 3 Report</b>	<b>October 1</b>

### II. GRANTS ADMINISTRATION STEPS

Each of the sections below provides a general summary of major activities and submittals required during the implementation and administration of most CDBG projects. Whenever applicable, cross-

references to other chapters of the ACEDP Administrative Procedures Manual are provided to assist the grantee in obtaining detailed compliance information.

#### **A. Pre-application/Referral Process**

Before most applications for grant assistance can be submitted to the Arkansas Economic Development Commission, the prospective applicant must complete either a pre-application review process or receive a referral from an Arkansas Economic Development Commission -recognized referral agency (See the ACEDP Application Guidelines for specific review/referral information) **and** receive an invitation to submit an application from the grants division. Only applications under the General Assistance set-aside, when the grants division is accepting applications, may be received for review without prior review and/or referral. Exceptions may be made in the event of emergencies at the discretion of the administration. Specific “pre-application” activities are listed below by project type:

- Submission of ACEDP applications for **Economic Development** projects shall be outlined in project-specific correspondence in the form of the Arkansas Economic Development Commission commitment letters and/or application invitation correspondence.
- **Water and Wastewater** projects must receive a Water/Wastewater Advisory Committee (WWAC) recommendation to solicit ACEDP funding and receive a letter from the Arkansas Natural Resource Commission (ANRC) inviting submission of an ACEDP application.
- **Public Health** projects must receive a referral from the Arkansas Department of Health (DHS), Bureau of Community Health Services and receive a letter from the Arkansas Economic Development Commission inviting submission of an ACEDP application.
- **Senior Citizen Centers** must receive a referral from the applicable Area Agency on Aging (AAA) regions receiving funding during the specific allocation year and receive a letter from the Arkansas Economic Development Commission inviting submission of an ACEDP application.
- **Child Care** projects must receive a referral from the Department of Human Services (DHS)-Division of Child Care and Early Childhood Education and receive a letter from the Arkansas Economic Development Commission inviting the submission of an ACEDP application.
- ACEDP applications for **General Assistance** may be submitted directly to Arkansas Economic Development Commission, subject to availability of funds, in accordance with program requirements as defined in the Consolidated Plan.
- **Rural Services Block Grant** applications must be submitted directly to the AEDC Division of Rural Services subject to availability of funds, in accordance with their established guidelines. Recommendations for funds will be made by the Arkansas Rural Development Commission (ARDC), and projects will be administered by the Grants Division of AEDC.
- **All other eligible projects** will be funded only if funds are available. Specific application requirements, therefore, will be developed and implemented should funding become available.

## **B. Invitation to Submit ACEDP Application**

As discussed above, most projects must receive an invitation to submit an ACEDP application before an application will be accepted for the Arkansas Economic Development Commission review. Once an invitation is received, the grantee can begin preparation of the ACEDP application. Please be advised of the following concerns that apply to application invitations:

- An invitation to apply for ACEDP funding is not a guarantee that funds will be provided, nor does it imply that the applicant meets all eligibility requirements.
- Project-specific activities such as property acquisition and procurement should not begin until a grant agreement is signed or until a Request to Incur Cost is approved by the division.
- Any conditions specified in the application invitation letter must be met before application review and/or approval.
- The grants division reserves the right to suspend the invitation and/or review of applications for otherwise eligible projects due to funding constraints and/or other extenuating circumstances. Efforts will be made to reinstate or expedite review processes that have been so affected.

## **C. ACEDP Application Development/Execution of Grant Agreement**

Specific instructions regarding ACEDP application preparation can be found in the ACEDP Application Guidelines. Additionally, assistance can be obtained from the Economic Development Commission grants manager assigned to the project. Because funding is provided on a first-come, first-served basis, it is not possible to generalize when ACEDP funding may be approved. Additionally, any other funding assistance required for the completion of the project must be approved and the commitment received by the grants division prior to ACEDP grant agreement development.

After the ACEDP application has been approved, the grantee will receive a **Notification of Award Letter** which generally precedes transmittal of the grant agreement. This letter is only an announcement of the grant award and does not authorize the grantee to incur any grant expenses. Costs may be incurred only after the grant is executed (the date of the grantee's signature) or after the grantee requests, and is approved by the grants division, to incur costs prior to grant execution. The grants division will consider such a request only if it is in writing and consistent with the wording contained in Form 1, Request to Incur Costs, and documents the special circumstances involved. The grants division will determine the merits of the request based upon the special circumstance(s) involved.

**Costs incurred prior to Arkansas Economic Development Commission approval are ineligible for grant reimbursement.**

The grants division will prepare a grant agreement defining the scope of eligible project activities. Three copies of the grant agreement will be forwarded to the grantee for review and execution consistent with local requirements. The following forms will accompany the grant agreement and must also be completed by the grantee:

1. Bank Designation and Check Signature Form (three copies; Form 2)
2. Request for Payment Signature Card (three copies; Form 3)
3. Arkansas Direct Deposit System General Expense Direct Deposit Authorization Form (one copy; Form 4)
4. W-9 Form

One copy of the grant agreement, along with one copy of the Bank Designation and Check Signature Form, one copy of the Request for Payment Signature Card, and the completed Arkansas Direct Deposit System General Expense Direct Deposit Authorization Form (with a voided account check), must be returned to the grants division. One executed copy of these documents should be retained by the project administrator, and one copy should be retained by the grantee. Below is a summary of the major components of the grant agreement:

- **Part I - Signatory Sheet** contains general grant information including the grant amount, grantee certifications, and signatures of the grantee and the Arkansas Economic Development Commission executive director. All grant correspondence should reference the grant control number, beginning with the prefix 790- or as applicable on the grant agreement.
- **Part II - General Terms and Conditions** of the grant agreement identify specific requirements of ACEDP assistance generally applicable to all grantees.
- **Part III – Section A - Scope of Work** section of the grant agreement specifically defines the type and amount of improvements to be undertaken by the project by source and use of funding, the proposed beneficiaries and the applicable national objective.
- **Part III – Section B - Special Conditions** section of the grant agreement defines grant-specific activities or requirements that must be undertaken within a specified time frame as a contingency of funding. Examples of special conditions include obtaining licenses, executing agreements or other legal documents, or submitting information to confirm eligibility or other programmatic requirements. Failure to clear special conditions may result in the withholding of funds, termination of the project or closure of the project with a sanction.
- **Part III – Section C – Grant Budget** section of the grant agreement lists the source(s) and use(s) of all funds to be used in the project.
- **Part III – Section D – Project Schedule** lists the dates of completion of all major grant activities. This schedule will allow the Arkansas Economic Development Commission to measure the progress of the project and make decisions regarding deobligation of funds based upon readiness to proceed.

All requests to **amend grant agreements** must be received from the grantee, in writing, justifying why the amendment is necessary and indicating what efforts have been made to obtain additional financing from other funding sources, if additional ACEDP funds are requested. Although most amendment requests will involve budgetary increases, grants may be amended to reduce funding, add special conditions, adjust project schedules, extend deadlines for submittals, and adjust the grant whenever a material change is made to the scope of work that may result in a significant effect on the project benefit or responsibilities of the grantee. All requests for a grant amendment that involve an increase or decrease in the grant amount must contain a detailed summary of changes to the line item amounts of the

grant budget. Grant amendments may also be initiated by the Arkansas Economic Development Commission or the grantee whenever appropriate.

Three copies of the amendment will be prepared by the Arkansas Economic Development Commission, signed by the executive director of the grants division, and transmitted to the grantee for signature. The grantee shall sign all copies; return two signed copies to the grants division, and retain the other copy for the files.

#### **D. Procurement of Professional Services**

The procurement of all goods, services and materials for the project must be consistent with state and federal laws and regulations as defined in the Procurement Chapter of the ACEDP Administrative Procedures Manual. State law requires grantees to adhere to a **written code of conduct** governing the behavior of local officials, their staff or their agents in the procurement and management of public contracts. It is the responsibility of local elected officials to make all persons involved in contract procurement and management aware of the provisions of this requirement. All grantees without a code of conduct must develop one consistent with the sample provided. (Form 113)

All grantees may obtain the services of an **administrator** to administer the grant. Grantees may designate a public agency as administrator in accordance with procurement requirements. All other professional services must be obtained through competitive negotiation unless prior approval is obtained from the Arkansas Economic Development Commission.

State law (A.C.A. § 22-9-101) requires that all architectural projects in excess of \$100,000 and all engineering projects in excess of \$25,000 must be under the observation of a **professional architect or engineer** registered in the state of Arkansas.

It is the policy of the grants division that the same company, firm, and/or individual cannot provide administrative and architectural/ engineering services for the same ACEDP project. Copies of both contracts must be submitted to the grants division prior to the release of funds for the respective services.

All procurement activities, including the text of professional service contracts, must comply with provisions of the Procurement Chapter of the ACEDP Administrative Procedures Manual. Any deviations and/or sole source procurement must be authorized by the grants division **prior** to procurement activities.

It will be the responsibility of the Administrator and Engineer/Architect to ensure they are registered with SAM.gov and eligible to participate in federally-assisted contracts. Eligibility must be verified online at this website: <http://www.sam.gov/sam/>.

## **E. Development of Recordkeeping/Financial System**

All grantees will be required to establish a well-organized recordkeeping and financial management system for grant projects. See the Recordkeeping Chapter of the ACEDP Administration Procedures Manual for a suggested filing system.

Grantees must establish a system of internal controls, consistent with state law and Generally Accepted Governmental Accounting Standards, for approving invoices before they are paid and for approving requests for payment before they are submitted to the Arkansas Economic Development Commission. Internal controls include establishment of a chart of accounts, project journal, ledger, contract register and, if applicable, a property management system. Requests for Payments shall be made periodically and processed in accordance with requirements outlined in the Financial Management Chapter of the ACEDP Administrative Procedures Manual.

## **F. Environmental Review Activities**

All recipients of CDBG funds must comply with environmental review requirements specified in 24 CFR Part 58, which includes the National Environmental Policy Act (NEPA) of 1969, as amended, and requirements of all “other” environmental laws and regulations identified in, and pursuant to 24 CFR 58.5.

Depending on the type of project, the applicability of NEPA and “other” environmental laws as identified in 24 CFR 58 will be classified into three categories:

- **Exempt** from NEPA and “other” environmental requirements identified in 24 CFR 58, except those identified at 24 CFR 58.6
- **Categorically Excluded** from NEPA requirements. All “other” requirements identified in 24 CFR 58 shall, however, apply.
- Subject to an **Environmental Assessment**

Because of the complex notification and comment process involved in development of the Environmental Review Record (i.e., all written environmental review documentation), it is crucial that the Environmental Review chapter of this manual be read before conducting **any** environmental activities. The person(s) designated by the grantee to complete environmental activities must be documented in a letter submitted to the Arkansas Economic Development Commission with the environmental review documents. The grantee, however, cannot delegate responsibility as the “Certifying Official.” The Certifying Official must be the Mayor or County judge, or the chief executive officer of the grantee.

If required as part of the environmental review process, the grantee may need to procure the services of an archaeologist to conduct a cultural resources survey or prepare an archaeological assessment. Since these costs may not have been included as part of the grant agreement, it is advisable to consult with the Arkansas Economic Development Commission grants manager to confirm the availability of grant funds.

It is important that the environmental review process be completed prior to incurring costs beyond those for administration and project design.

Consult the Environmental Review Chapter of the ACEDP Administrative Procedures Manual for a complete listing of required submittals.

#### **G. Acquisition Activities**

All acquisition activities conducted for and/or in anticipation of a project receiving CDBG funding must comply with the requirements of the Uniform Relocation Assistance and Real Property Policies Act of 1970, as amended. The Acquisition Chapter of the ACEDP Administrative Procedures Manual details the requirements of this act. A review of the Procurement Chapter of the manual is advisable at this time because acquisition activities will usually require the services of surveyors, abstractors and appraisers.

Upon completion of acquisition activities, the grantee must submit a letter to the grants division certifying that acquisition is 100 percent complete. Grantees shall not advertise for construction bids until this letter is received by the grants division. Any exceptions to this policy must be well-documented as extraordinary and must receive approval of the grants division grants manager prior to bid advertisement.

#### **H. Preconstruction Activities**

The project architect/engineer is responsible for the preparation of **plans and specifications** specific to the scope of work defined in the grant agreement. The required ACEDP format found in the "Bid Package" section of the Construction Management Chapter must be used on all ACEDP projects. No project shall be bid until approval of the plans and specifications have been obtained from the Arkansas Economic Development Commission and all other applicable agencies.

The grantee must request, for inclusion in these project specifications, a **Wage Determination** specific to the project. (See the Labor Standards Chapter of the ACEDP Administrative Procedures Manual, SF-308 Form.). Wage determination may also be posted from the internet at this website: <http://www.wdol.gov/>. The grantee must also verify that the issued wage determination is still valid 10 days prior to bid opening by contacting the grants manager, or verifying the decision online. Administrator should print a copy of current screen to prove verification. Should additional classifications be required after contract award, the grants manager must be contacted immediately.

Any **addenda** to the plans and specifications must be submitted to the Arkansas Economic Development Commission for review and approval prior to issuance.

Upon unconditioned approval of the plans and specifications, grantees may advertise for construction bids. All **advertisements for construction bids** must be placed in a newspaper (or construction trade journal acceptable to the Arkansas Economic Development Commission) of **statewide circulation**. The Commission's Small and Minority Business Division must also be notified of all advertisements for bid.

A formal, public **bid opening** must be conducted in accordance with provisions of the Construction Management Chapter of the ACEDP Administrative Procedures Manual.

Results of the bid opening must be tabulated and submitted to the grants division. The lowest responsible bidder, after the application of deductive alternatives (if applicable) in numerical order, must be selected unless rejected for cause in accordance with state law. The grantee must submit a copy of the bid tabulation sheet(s) to the grants division clearly indicating the selection of the low bidder(s) and the application of deductive alternatives (if applicable), in numerical order. Specific reference to A.C.A. § 22-9-101 through § 22-9-212 is made regarding the award of public works contracts.

The grantee is required to complete a Verification of Contractor Eligibility form (form 64), after the contractor(s) has been selected and prior to the contract documents being executed. Eligibility may also be verified online at this website: <http://www.sam.gov/sam/>. It will be the responsibility of the prime contractor to ensure that all subcontractors employed by him/her are eligible to participate in federally-assisted contracts.

If the contractor is eligible to participate in federally assisted contracts, certification to that effect should be provided by the completion of the approved Verification of Contractor Eligibility Form. If the contractor is ineligible to participate in the project, then negotiation with the next lowest bidder shall commence in accordance with the state law award processes.

A **Preconstruction Conference** must be conducted for every ACEDP project that involves construction. The Arkansas Economic Development Commission grants manager must be notified of this conference at least ten days prior to its scheduled date. Generally, the grants division will conduct an interim monitoring of the project immediately after the pre-construction conference; however, large projects may require conducting these activities on separate dates.

Upon completion of the pre-construction conference, the grantee must submit a copy of the completed **Preconstruction Conference Report** and attendance list to the grants division. The grantee's project administrator shall be the lead participant in conducting the conference and must discuss all topics discussed in the Preconstruction Conference Agenda and Report contained in the Construction Management Chapter of the ACEDP Administrative Procedures Manual.

After award of the construction contract(s), a copy of all **Executed Contract Documents**, including Notice(s) to Proceed, must be submitted to the grants division. Also, prior to construction, all necessary permits and approvals must be obtained. Should contract award still be pending 90 days after bid opening, the grantee must contact the grants division to confirm that the wage determination issued for the project is still valid. Any modified or superseded wage determinations must be incorporated into the wage decision.

## **I. Construction Activities**

During the construction of the project, the grantee is required to review Contractor/Subcontractor Payrolls for **Labor Standards Compliance** and conduct employee interviews for all contractors and subcontractors. The grantee also has the responsibility of resolving any labor violations that develop during the course of the project

and requesting additional labor classifications as necessary. (See the Labor Standards Chapter of the ACEDP Administrative Procedures Manual.)

The grantee must also submit all proposed **change orders** to the grants division for approval prior to execution. Any work completed prior to the grants division's approval may not be eligible for grant reimbursement.

#### **J. Monitoring**

Arkansas Economic Development Commission grants managers will generally monitor projects twice: once immediately after the Preconstruction Conference and once immediately after the final inspection. However, the grants division may request more frequent monitoring as deemed necessary.

Usually, the grants division will conduct the final monitoring at the time of the final inspection of the last construction contract. Larger projects, however, may require separate visits for final inspection and final monitoring. All project files must be complete and available for monitoring at the final inspection, unless the grants division has notified the grantee and administrator that monitoring will not be conducted.

#### **K. Hookup Activities**

The advertisement, award and construction process for the award of low and moderate income utility connection contracts is very similar to the process stated above. One exception is that the hookups contract will usually be awarded after construction of the treatment and/or distribution contracts have been completed. The grantee must verify the incomes of hookup applicants prior to preparing work write-ups to ensure that costs are expended only for eligible applicants.

Other exceptions include requirements that work write-ups are prepared by individuals certified as qualified to complete work write-ups and that all connections are inspected by individuals acknowledged by the Arkansas Department of Health as certified plumbing inspectors.

#### **L. Construction Completion**

As soon as **all** construction activities are complete, notice of final inspection must be communicated to all project principals, including the grants manager. An attendance list of all final inspection participants must be compiled to verify attendance. It is the grantee's responsibility (regardless of who actually issues notification of final inspection) to insure that all required principals attend the final inspection.

The following items must be submitted **for each contract at or before** the final inspection:

- A Certificate of Substantial Completion
- Documentation establishing the twelve-month warranty period
- A "punch list" of deficiencies to be corrected. Few, if any, punch-list items should be outstanding at the time of final inspection. Examples of acceptable punch-list items

include minor touch-ups for paint, sod, seeding etc.; cosmetic improvements pertaining to trash disposal or alignment of aesthetic features; and minor adjustments, improvements or “fine-tuning” of incidental items.

Examples of unacceptable punch-list items include completion of contractually-based utility connections; installation of equipment or materials other than those of the acceptable nature described above; any work that would preclude final contractor payment or result in withheld retainage; and any item that precludes the grantee or any project beneficiaries from utilizing the improvements completed in accordance with the contract.

- Statement of Release of Debt and Liens
- Final Contractor Estimate(s) releasing remaining retainage
- Final and/or reconciliation change orders

It is the responsibility of the grantee to inquire about status of the following items:

- Insurance on the constructed improvements upon transfer to the owner
- Any shop drawings, as-built plans, samples, tests, etc. performed during the course of the project that are to be retained by the grantee
- Any product information, warranties and/or operation manuals for material and equipment installed in conjunction with the contract
- Coordination of ameliorating punch-list items
- Timing of the twelve-month warranty inspection

The final payment to the contractor to pay retainage shall not be made until all punch-list items are satisfied. All contractor weekly payrolls, including resolution of discrepancies, must be checked for compliance. Any liquidated damages must be assessed, if applicable, before final contractor payment is made.

#### **M. Fair Housing Activities**

Each ACEDP grant requires the completion of an activity to affirmatively further Fair Housing. See the Fair Housing Chapter for suggested activities.

#### **N. Closeout Activities**

Grantees must submit all closeout documents within 45 days after the completion of any final monitoring issues, or the completion of all project related activities, whichever is later.

A final audit must also be submitted, if due. (See the Audit Chapter of the manual regarding the requirement of the Arkansas Economic Development Commission audits.)

Audits will be required whenever federal financial assistance exceeds \$500,000 in a calendar year. The project may be closed pending audit if the audit is not past due. If the audit is past due at the time of closeout, the project will be closed with a sanction.

Finally, an end-of-year warranty inspection must be conducted in the eleventh month after issuance of the Certificate of Substantial Completion. The purpose of the inspection is to identify deficiencies and correct them while they are still under warranty. Usually, the grants division will not attend this inspection.

### III. ARKANSAS ECONOMIC DEVELOPMENT COMMISSION ONGOING ACTIVITIES

The following activities occur throughout the project and are not necessarily characteristic of any specific chronological period:

- Request of Grant Agreement Amendments
- Submission of Requests for Payment
- Clearance of Special Grant Conditions
- Submission of Federal/ACEDP Reports
- Preparation of Contract Amendments
- Procurement of Contracts, Services, Material and Equipment
- Conduct Fair Housing/Equal Opportunity Activity
- Submission of Audit Plans and Audits
- Development and Submission of Job Creation Reports
- Other Activities Necessary to Project Implementation
- Public Hearings
- Recording Financial Transactions

### IV. ARKANSAS ECONOMIC DEVELOPMENT COMMISSION GENERAL POLICIES

- All funding decisions are made on a first-come, first-served basis as funding becomes available to eligible applicants/grantees.
- Funding priorities are determined in accordance with Consolidated Plan requirements.
- Applicants for ACEDP assistance must, at a minimum, have options to acquire all property to be acquired for the purpose of building or rehabilitating structures paid for with CDBG funds.
- All Requests for Payment must be accompanied by acceptable invoices or other support documentation, and invoices must be approved/signed by the grantee.
- Counties may have no more than two active CDBG categorical applications and/or grants at any time. Cities may have no more than one active CDBG categorical application and/or grant at any time. This restriction does not apply to economic development grants or disaster grants.
- The purpose of the ACEDP Administrative Procedures Manual is to establish guidance to grantees for **compliance with federal and state laws, regulations and policies, as they apply to the implementation of CDBG projects**. Although it is never the intention of the Arkansas Economic Development Commission to establish policies that conflict with federal or state law, regulations or guidance, it is possible that some overlapping and or recently-enacted laws and regulations in conflict with this document may be noted during the implementation of CDBG projects. Any such occurrences brought to the attention of the Grants Management Division will be greatly appreciated.
- The grants division reserves the right to waive on a case-by-case basis, any ACEDP policies or regulations that do not conflict with federal or state laws or regulations.