
CHAPTER 3. REVIEW FOR PROGRAM PROGRESS

3-1. INTRODUCTION.

- a. Timely implementation of CDBG projects is a vital concern. The emphasis on timely implementation has been expressed by Congress in Section 104(d) of the statute and in reauthorization and appropriation hearings. The governing regulations for review of substantial progress in carrying out the community development program are found in 24 CFR 570.909 (e)(1) Please note that 24 CFR 570.909 (e)(2) relating to HAP progress is discussed in Chapter 7 of this Handbook.
- b. This Chapter outlines the review of the GPR required to determine whether the grantee is apparently implementing its approved programs, projects, and activities in a timely manner.
- c. The analysis of the grantee's program progress in the GPR is conducted at two levels. They are:
 - (1) An analysis of a grantee's overall program progress; and
 - (2) An analysis of individual component activities.
- d. The program progress reviews are based upon an evaluation of the GPR expenditures data. The reviews provide the Area Office with a preliminary analysis of a grantee's program progress; they do not provide final evidence, per se, of poor performance.

Because the review findings are preliminary in nature, it is essential that the Area Office conduct monitoring and other follow-up actions with the grantee to verify the validity of and to ascertain the context of the original GPR reviews. In conducting additional analysis of issues identified through the GPR review process, the Area Office should evaluate the following types of information:

- (1) The accuracy of the expenditure data reported in the GPR;
 - (2) Whether there were any extenuating circumstances affecting the grantee's program or particular activities;
 - (3) Whether any of the activities or programs identified as "slow moving" are likely to be completed within a reasonable period of time; and
 - (4) The extent to which the grantee has already identified the problem areas and is undertaking corrective actions.
- e. The results of any final analysis of a grantee's program progress should be compared with that of other recipients of comparable size with similar activities and grant amounts, pursuant to 24 CFR 570.909 (e)(1).

3-2. RECONCILIATION OF GPR EXPENDITURE WITH LETTER OF CREDIT
DRAWDOWNS.

a. Conducting the Review.

- (1) Before starting an analysis of a grantee's overall program progress based upon the data in the GPR, the reviewer should verify the accuracy of the financial information provided in the GPR. The grantee's Letter of Credit drawdown information is a means of testing the overall accuracy of the information provided in the GPR Status of Funds Report form, HUD 4950.3. The reviewer should complete the worksheet in Exhibit 3a. at the end of this Chapter. In completing the worksheet, the reviewer should compare Total Expenditures reported by the grantee in the Status of Funds Report (the sum of line 8: columns (b+f+j) with the grantee's reported cumulative entitlement Letter of Credit drawdown.
 - (2) If the Total Expenditures reported in the GPR Status of Funds Report for all approved CDBG Entitlement grants is within 95% to 105% of the grantee's entitlement Letter of Credit drawdown, the reviewer should consider the GPR's information on expenditures acceptable for purposes of the GPR review. Note that there may be some difference between the Total GPR Expenditures and the Letter of Credit because the GPR Expenditures represent both cash disbursements and any net amounts owed for goods and services received, whereas the Letter of Credit represents cash disbursements only.
 - (3) If the Total Expenditures reported in the GPR Status of Funds Report for all approved CDBG Entitlement grants is not within 95% to 105% of the grantee's entitlement Letter of Credit, the reviewer shall first attempt to reconcile the differences. The reviewer should consider the following factors when reconciling reported GPR expenditures with Letter of Credit drawdowns:
 - (a) Check to determine if one or more CDBG grants had been previously reported as complete in a prior GPR. If so, add to the total expenditures the amounts for any such years and determine if this brings the total expenditures to an acceptable level.
 - (b) Check to determine if the grantee has received (and reported) program income or Section 108 Loan Guarantee proceeds. If so, determine whether this sufficiently accounts for the difference between expenditures and drawdowns.
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- (c) Check the Area Office's records of Letter of Credit drawdowns to determine if the grantee had made a particularly large drawdown just before or just after (within 3 weeks) the date of the GPR that could account for a sufficient portion of the difference.
- b. Notifying the Grantee. If after making reasonable adjustments, the reviewer is not able to reconcile the GPR statement of total expenditures with the Letter of Credit Drawdowns, the Area Office shall notify the grantee of the apparent discrepancy and request that the grantee provide an explanation for the difference. Normally, it would not be appropriate to continue with the reviews in Chapters 3, 4, and 5 of this Handbook until any such discrepancy has been resolved.
- 3-3. ANALYSIS OF GRANTEE'S OVERALL PROGRAM PROGRESS.
- a. Using the worksheet contained in Exhibit 3b at the end of this Chapter, the reviewer should calculate an equivalent number of program years' funds which remain unexpended, using the information in the GPR Status of Funds Report form, HUD 4950.3. This calculation provides an overall measure of a grantee's progress. It also takes into account variations in grant size over a period of time and provides a basis of comparison from one grantee to another.
- b. A grantee which has 1.25 or more equivalent years of unexpended CDBG Entitlement program funds, based upon the calculation in Exhibit 3b, shall be compared with other CDBG entitlement recipients of comparable size with similar activities and grant amounts pursuant to 24 CFR 570.909 (e) (1). Normally, a grantee which has 1.25 or more equivalent years of unexpended CDBG entitlement program funds should be considered to have an apparent lack of substantial progress.
- 3-4. REVIEW OF INDIVIDUAL COMPONENT ACTIVITIES FOR AN APPARENT LACK OF SUBSTANTIAL PROGRESS.
- a. Purpose. This review focuses on the individual component activities reported on in the GPR Project Progress form, HUD 4950.2, column (c). There are two reasons for reviewing individual component activities for an apparent lack of substantial progress. They are:
- (1) To highlight those component activities which are "slow moving." Once individual "slow moving" activities have been identified appropriate corrective actions can be scheduled and undertaken to bring about the successful completion of those activities; and
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- (2) To identify similar or generic types of component activities, e.g. rehabilitation, acquisition, street paving, etc., which show a trend of being "slow moving" over several of the grantee's approved program years. The identification of similar types of "slow moving" activities over several program years suggests that there may be institutional problems in the grantee's administration of those activities. Such a situation would indicate that the grantee must either make institutional changes in the way it administers that type of component activity, e.g. rehabilitation, acquisition, street paving, etc., or the grantee should consider decreasing or eliminating continued funding for that particular type of component activity.
- b. Relationship to Review for Overall Program Progress.
- (1) A grantee which was determined to have an apparent overall lack of substantial progress as described in paragraph 3-3. above, is also likely to have individual component activities which show an apparent lack of substantial progress. Identifying individual activities along with the overall assessment should provide the grantee with direction on where it should focus its attention.
 - (2) On the other hand, a grantee may show satisfactory overall program progress and still have individual component activities which show an apparent lack of substantial progress. Good overall progress may mask a continuing lack of capacity to carryout certain types of component activities. Identifying such activities will help the grantee undertake appropriate actions.
- c. Conducting the Review. The reviewer should analyze the GPR Project Progress form, HUD 4950.2 and complete the worksheets contained in Exhibits 3c, 3d, and 3e at the end of this Chapter. In conducting this review, the reviewer should complete a separate worksheet for each program year reported on in the GPR. The reviewer should apply the review thresholds for the applicable program year discussed in d. below and list each component activity which fails to meet the threshold.
- d. Thresholds to be Used for Review of Individual Component Activities.
- (1) Program Year is 3 or More Years Old. For each program year which is three (3) years old or older, list each component activity reported in column (c) of the Project Progress form, HUD 4950.2, which does not show 100% of its current estimated costs (column d) as expended

(column e) for that

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component activity. Use the review worksheet found in Exhibit 3c.

(2) Program Year is 2 Years Old. For each program year which is two (2) year old, list each component activity reported in the Project Progress form, HUD 4950.2, which shows less than 50% of its current Estimated Costs (column d) as expenditures (column e) for that component activity. Use the review worksheet found in Exhibit 3d.

(3) Program Year is 1 Year Old.

(a) For the program year which is one (1) year old as of the date of the GPR, analyze the GPR Status of Funds Report form, HUD 4950.3, for that program year. Determine if 25% or less of the Total Estimated Project Costs (line 4a column a/e/i) has been shown as expended (line 4a column b/f/j). If YES, then:

(b) Analyze each individual component activity listed on the Project Progress form, HUD 4950.2, for that program year. List on the worksheet each component activity which shows \$0.00 funds expended (column e). Use the review worksheet found in Exhibit 3e.

e. Analysis of Identified Component Activities. Once the reviewer has identified those individual component activities which do not meet the applicable review threshold, the reviewer should:

(1) Review any optional narrative the grantee may have provided with the GPR Project Progress forms which describe the problems encountered for the identified activities and the corrective actions the grantee has taken or plans to take to overcome the problems identified.

(2) Analyze the completed review worksheets for all program years and determine whether or not there is a pattern of similar or generic types of component activities which show an apparent lack of substantial progress in two or more program years.

f. Apparent Lack of Substantial Progress. An individual component activity which does not meet the applicable review thresholds shall for initial review purposes, be considered to lack apparent substantial progress.

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3-5. NOTIFYING THE GRANTEE.

- a. After completion of the substantive reviews of the GPR, the Area Office shall follow the general instructions in Chapter 11 of this Handbook, "Resolving Determinations of Apparently Unsatisfactory Performance," as supplemented by the following more specific guidance pertaining to the reviews for program progress.
- b. If there are findings of apparent lack of substantial progress, the Area Office should verify, either through monitoring or follow-up correspondence, the information in the GPR
- c. The Area Office shall inform the grantee of the results of the review. The grantee should be requested to respond with its assessment of the Area Office's determination(s).
- d. If the grantee disagrees with the Area Office's determinations or would like to provide additional information, the grantee should be encouraged to provide such additional information and in particular the following:
 - (1) data which corrects the expenditure data originally provided in the GPR;
 - (2) evidence of extenuating circumstances adversely affecting the progress of the program or activities;
 - (3) evidence that additional, substantial progress will be made within a reasonable period of time.

Note that "unliquidated obligations" as reported in the GPR Project Progress and Status of Funds Report forms represent grant amounts which are obligated, i.e. under contract or other transaction the grantee is legally required to pay, but which have not yet been expended. Where there are program progress questions, the Area Office should determine the extent of "unliquidated obligations" and the extent to which such "unliquidated obligations" may be expected to be expended; or

- (4) evidence that the grantee has already identified the problem areas and has undertaken corrective or remedial actions.
- e. If the grantee agrees with the Area Office's determination(s), the grantee should provide a description of the corrective actions, milestones, and timetables it deems appropriate to resolve the problems.

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Exhibit 3a

SUGGESTED REVIEW: RECONCILIATION OF TOTAL GPR EXPENDITURES WITH LETTER OF CREDIT DRAWDOWNS

- 1. Grantee _____
- 2. CDBG _____
- 3. Reviewer _____
- 4. Date _____

A. TOTAL EXPENDITURES

\$ AMOUNT SHOW IN GPR (GPR form HUD 4950.3, line 8)

Program Year 1975	_____
Program Year 1976	_____
Program Year 1977	_____
Program Year 1978	_____
Program Year 1979	_____
Program Year 1980	_____
Program Year 19__	_____
Program Year 19__	_____
Program Year 19__	+ _____
TOTAL EXPENDITURES	\$ _____

B. TOTAL LETTER OF CREDIT DRAWDOWNS (as of date of GPR) \$ _____

C. Is A within 95% to 105% of B? _____ (Yes) _____ (No)

D. If NO to question C., can the TOTAL EXPENDITURES/DRAWDOWNS be reconciled to within 95% to 105% of the other? _____ (Yes) _____ (No)

- Consider adjustments due to:
- a. Grants previously reported as complete.
 - b. A Section 108 Loan Guarantee.
 - c. Program income as reported in GPR.

E. If NO to question D. above, the reviewer shall request the grantee to reconcile the discrepancy.

