Below you will find a list of some of the U.S. Department of Housing and Urban Development (HUD) requirements for the Community Development Block Grant program (CDBG) as contained in the Grants Management Handbook. This list is by no means inclusive of all requirements, but is simply a list of administrative problems frequently encountered by CDBG grantees. You should review the handbook to ensure that you are following all of the required federal and state rules and regulations.

* CDBG grant funds must be deposited in a non-interest bearing account. Should CDBG funds be placed in an interest bearing account, all interest in excess of $100 (which may be used for project administration) must be returned to the department.
* DO NOT commingle CDBG funds with leverage funds, revolving funds, or any other community funds.
* All CDBG funds received must be disbursed within 20 days of receipt/deposit.
* Checks written using CDBG funds require the following:
  + Two signatures, it is recommended three persons be given signature authority.
  + Checks must have bank routing number and account number encoded at the bottom of the check. It is not permissible for this information to be handwritten on the check.
* Cash receipts, cash disbursements, and general ledgers document project funds must be recorded and accurately maintained. The department requires one set for the CDBG funds and a separate set for the leverage funds.
* The proposed and approved project area(s) in the CDBG grant application must not be modified without written consent by the department and through a formal Grant Modification process.
* The Grant Budget line items (Part I) and Scope of Work activities (Part II) contained in the Grant Agreement may not vary without first submitting a request for modification.
* The grantee and grant administrator must follow a project closely to ensure that the project is completed within the grant term. A modification request to extend the project end date will only be considered under extenuating circumstances. Grantees should inform the Grant Manager in writing of project delays.
* All grantees must have a copy of a completed Section 504 Grantee Self-Evaluation for Persons with Disabilities included in the project file.
* A Fair Housing poster must be displayed in the city, village or township hall or county courthouse and housing complaint forms must be on file. A Fair Housing Ordinance must be passed.
* Grantees must obtain Federal Prevailing Wage Rates (PWR) through the CDBG Labor Standards Officer. The most current PWR must be obtained prior to bid advertising and bid opening; and prior to contract award if not awarded within 90 days of bid opening. Contact [ceo.lso.@illinois.gov](mailto:ceo.lso.@illinois.gov) for additional information and to request a PWR.
* Grantees must post the MBE form at the community hall and a local procurement technical assistance center on or before the date of bid notification.
* Contractor registration and eligibility, and subcontractor eligibility must be verified prior to contract award (www.sam.gov). Printed results shall be submitted with the Contract Award Notification and a copy maintained in the grant file.
  + The *Notification of Contract Award/Contract and Subcontract Activity (Form 2516) must be submitted within 10 days of contract award*.
* The Grantee or its assigned administrator shall submit the Pre-Construction Conference Checklist/Minutes/Sign-in Sheet and all required documentation to the Grant Manager upon the approval of the Notice to Proceed.
* The Grantee or its assigned project administrator is responsible for reviewing payroll records within seven days after the end of the work week. If any underpayments are discovered, the contractor must pay all restitution within 30 days. The restitution must be reported on a corrected certified payroll, signed by the employee, and a copy submitted to the Grant Manager.
* Employee interview forms (HUD 11’s) must be signed and dated by the interviewer, reviewed by the payroll examiner, compared against the applicable wage rates, and the signed and dated by the payroll examiner. If the interviewer and the payroll examiner are the same person, he/she should sign in both places after comparing the employee’s information to the federal prevailing wage rates.
* If an employee of a contractor is identified as an apprentice on a payroll or employee interview form, a copy of the worker’s Certificate of Enrollment in a U.S. Department of Labor approved apprentice training program must be included in the project file.
* CDBG public construction projects totaling more than $200,000 in federal assistance funding are subject to Section 3. Section 3 requires the provision of opportunities for training and employment that arise through HUD-financed projects to lower-income residents of the project area. Also required is that contracts be awarded to businesses that provide economic opportunities for low- and very low-income persons residing in the project area, county or metropolitan statistical area. Section 3 Clauses must be inserted into each contract and subcontract documents for this project.
* The Grantee, Contractors, and Subcontractors are responsible for compliance with Section 3, and must report the total hours worked, Section 3 hours worked, Targeted Section 3 hours worked, and the actions taken to comply with Section 3 when the benchmarks established by HUD are not met. See [Section 3 Requirements - Community Development (illinois.gov)](https://www2.illinois.gov/dceo/CommunityDevelopment/Pages/Section3.aspx).
* If a project includes CDBG-funded connection costs, the grantee must have on file documentation to verify that the applicable households’ total incomes are each within HUD guidelines for a low-to-moderate income household (e.g. 1) Form SSA-1099 Social Security Current Benefit Statement; 2) most recent Form 1099-R Distribution for Pension, Annuities, Retirement, IRAs, etc.; 3) current pay stubs; and 4) current dividend and interest distribution statements, etc.). LMI households are allocated a maximum CDBG-funded connection cost up to $5,000 per household, the difference must be paid by other sources, but cannot be assessed against the low-to-moderate income occupant.
* The Grantee must obtain fidelity bonds for each employee or official representative having access to project assets, accounting records, or checks, (this includes all persons authorized to sign checks). The bond should be enough to cover CDBG -funded contracts. In all cases, at least one of the persons with signature authority for the CDBG account must be bonded for this amount and their signature must appear on every check. The total bonding for each employee cannot be counted as a cumulative total. Fidelity bonds are a grant eligible expense under the administration line item.
* The Grantee shall include in all of its contracts under this Grant a provision that the Department or the Comptroller of the State of Illinois, or the U. S. Department of Housing and Urban Development, or the Comptroller General of the United States, or any of their duly authorized representatives will have full access to and the right to examine any pertinent books, documents, papers and records of any such contractor involving transactions related to the contract.
* The Grantee is accountable and shall maintain, for a minimum of five (5) years following the expiration of termination of the grant, all adequate books, records and supporting documents to verify the amount, recipients, disbursement, and use of all funds.
* Please refer to the “*Recordkeeping Checklist*” to ensure that your project files follow the correct format.
* At project completion, the following documents must be submitted to your grant manager:
  + Final Periodic Financial Report and Final Periodic Performance Report (PFPR)
  + Grantee Evaluation Report (GER)
  + Section 3 Compliance Report
  + Safe Harbor Compliance Report, if applicable
  + As-built project map, Record Drawings
  + Proposed project map (for reference)
  + Final Design of project (if applicable)

In addition, please keep in mind the following:

With respect to cost eligibility, it is important to note that CDBG-funded project costs may only be incurred after all environmental requirements AND all special grant conditions have been satisfied.

In accordance with program requirements, the Department of Commerce considers a cost legally incurred or obligated when the community incurs a liability through execution of a contract when procuring goods and/or services or when the community performs an act that commits project funds to a specific approved expenditure.