Exhibit 3-10   6509.2 REV-5
CDBG Entitlement Program

Guide for Review of CDBG-Funded Rehabilitation Program Management			
Name of Program Participant:			
Staff Consulted:			
Name(s) of Reviewer(s):		**Date:**	

NOTE: All questions that address requirements contain the citation for the source of the requirement (statute, regulation, NOFA, or grant agreement). If the requirement is not met, HUD must make a finding of noncompliance. All other questions (questions that do not contain the citation for the requirement) do not address requirements, but are included to assist the reviewer in understanding the participant's program more fully and/or to identify issues that, if not properly addressed, could result in deficient performance. Negative conclusions to these questions may result in a "concern" being raised, but not a "**finding.**"

Instructions: This Exhibit applies to all CDBG Entitlement program-assisted property rehabilitation. The Department's policy on housing rehabilitation emphasizes, as a priority, increasing the efficiency and effectiveness of local rehabilitation programs. This Exhibit is designed to evaluate a program participant's rehabilitation program from a management perspective, reviewing both rehabilitation productivity and the cost effectiveness of program operations. It is both a qualitative and quantitative analysis. It is divided into ten sections: Program Design and Management; Budget and Productivity; Rehabilitation Standards; Loan Financing and Servicing; Contractor Selection and Oversight; Beneficiary and Rehabilitation Data; Lump Sum Drawdowns; Escrow Accounts; Other Requirements; and Summary of Exhibit 3-11 Reviews. This Exhibit **must** be used in conjunction with individual project/activity reviews conducted under Exhibit 3-11 in order to make supportable determinations about the participant's rehabilitation program as a whole. Section J at the end of this Exhibit is to be used to summarize the results of Exhibit 3-11 reviews that are used for this purpose. The term "*program participant*" is interchangeable with "*grantee*/*recipient*" for purposes of this Exhibit.

Questions:

A. PROGRAM DESIGN AND MANAGEMENT

1.

a. Describe the types of buildings and improvements eligible for rehabilitation assistance, the types of financial assistance, such as grants or loans and any interest rate(s) charged, and other benefits, as applicable. [24 CFR 570.202(a) and (b)]
Describe Basis for Conclusion:

b. If the program participant claims rehabilitation activities as benefiting low- and moderate-income persons through occupancy of the property by low- and moderate-income households, what definition of income under 24 CFR 570.506(b) does it use? [See also definitions at 24 CFR 570.3]
Describe Basis for Conclusion:

2.

a. Has the program participant established written local operating procedures and policies for the program?	☐ Yes	☐ No
Describe Basis for Conclusion:		

b. If the answer to "a" above is "yes," does a review of the procedures and policies generally indicate compliance with HUD regulations and policies?	☐ Yes	☐ No	☐ N/A
Describe Basis for Conclusion:			

c. If the answer to "a" above is "yes," do the procedures cover beneficiary dispute resolution?	☐ Yes	☐ No	☐ N/A
Describe Basis for Conclusion:			

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3.

If the program participant includes in its rehabilitation program rental housing to be occupied by low- and moderate-income households, has the participant adopted and made public its standards for determining "affordable rents?" [24 CFR 570.208(a)(3)]	☐ **Yes**	☐ **No**	☐ **N/A**
Describe Basis for Conclusion:			

4.

If applicable, does the program participant monitor its third party subrecipients or entities that carry out rehabilitation on behalf of the program participant? [24 CFR 570.501(b)]	☐ **Yes**	☐ **No**	☐ **N/A**
Describe Basis for Conclusion:			

5.

How does the program participant ensure that information about its rehabilitation program is provided to potential beneficiaries?
Describe Basis for Conclusion:

6.

Does the program participant provide training to staff on housing rehabilitation requirements?	☐ **Yes**	☐ **No**
Describe Basis for Conclusion:		

B. BUDGET AND PRODUCTIVITY

7.

For the current program year (or grant for HUD-Administered Small Cities in New York or Insular area grants prior to FY 2005), does the program participant maintain documentation showing:

a. Total CDBG funds budgeted: $ _____

b. Total amount of CDBG funds obligated Year-To-Date (YTD): $ _____

c. Total amount of CDBG funds expended YTD: $ _____

d. Total of all funds budgeted for rehabilitation this year: CDBG $: _____

                                                            Public $: _____

                                                            Private $: _____

                                                            TOTAL$: _____

   [24 CFR 570.506(a)]

Describe Basis for Conclusion:

8.

a. What was the total number of units rehabilitated in the prior program year (for all funding sources)?

Describe Basis for Conclusion:

b. What is the total number of units proposed for rehabilitation this program year (all funding sources)?

Describe Basis for Conclusion:

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C. <u>REHABILITATION STANDARDS</u>

9.

a. What standards are used to determine the extent of rehabilitation necessary (e.g., is there a standard specification or performance manual)?
Describe Basis for Conclusion:

b. Have local housing codes been adopted in conjunction with the program participant's rehabilitation standards?	☐ Yes	☐ No
Describe Basis for Conclusion:		

c. If the answer to "b" above is "yes," how does the program participant determine that the work items meet local codes upon completion?
Describe Basis for Conclusion:

10.

a. Describe the process for preparing the work specifications and cost estimates, including which employee's positions have the responsibility to prepare the cost estimates and approve them.
Describe Basis for Conclusion:

b. Is there a written procedure in place for changes in the scope of work and/or specifications?	☐ Yes	☐ No	
Describe Basis for Conclusion:			

c. Is there a procedure for determining if contract costs are reasonable and, if so, who or which employee positions have the responsibility for making the determination and approving the costs?	☐ Yes	☐ No	
Describe Basis for Conclusion:			

d. If the answer to "c" above is "no," what actions are being taken to ensure that costs are reasonable per OMB Circular A-87?	☐ Yes	☐ No	☐ N/A
Describe Basis for Conclusion:			

D. LOAN FINANCING AND SERVICING

11.

a. Does the program participant have written loan-financing procedures in place?	☐ Yes	☐ No
Describe Basis for Conclusion:		

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b. If there are written procedures, do they set forth the conditions of assistance, such as the interest rate charged, the loan term, and the maximum borrowing amount?	☐ Yes	☐ No	☐ N/A

Describe Basis for Conclusion:

c. If there are procedures, do they describe a process for handling delinquencies?	☐ Yes	☐ No	☐ N/A

Describe Basis for Conclusion:

12.

a. If loans are involved, what is the process for servicing them? (For example, who collects repayments when due and posts them to account records?)

Describe Basis for Conclusion:

b. If the program provided a loan to an owner, is there a copy of the promissory note and loan agreement on file?	☐ Yes	☐ No	☐ N/A

Describe Basis for Conclusion:

c. If the loans are secured, are the security documents recorded?	☐	☐	☐
	Yes	**No**	**N/A**
Describe Basis for Conclusion:			

13.

a. If a bank is involved in loan servicing, has the program participant signed a written agreement with the bank, specifying the services to be provided by the bank, the fees, and the consequences for failure to perform?	☐	☐	☐
	Yes	**No**	**N/A**
Describe Basis for Conclusion:			

b. If applicable, has the lender performed any administrative services for the program?	☐	☐	☐
	Yes	**No**	**N/A**
Describe Basis for Conclusion:			

E. CONTRACTOR SELECTION AND OVERSIGHT
14.

a. Is there a written contractor selection procedure in place?	☐	☐
	Yes	**No**
Describe Basis for Conclusion:		

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b. If the answer to "a" above is "yes," describe the contractor selection process, including whether the program participant selects the contractor, or, if the owner selects the contractor, what guidance, if any, is provided by the program participant.

Describe Basis for Conclusion:

15.

Is there an adequate pool of contractors who perform rehabilitation work as overseen by the program participant or its designee?	☐	☐
	Yes	**No**

Describe Basis for Conclusion:

16.

a. Is there a written procedure for resolving *contract* disputes?	☐	☐
	Yes	**No**

Describe Basis for Conclusion:

b. Whether the program participant has written procedures in place or not, describe the program participant's process for resolving contract disputes.

Describe Basis for Conclusion:

17.

		Yes	No	N/A
[OS]	For on-site inspections, does the quality and scope of rehabilitation work appear consistent with the scope and cost of the work?	☐	☐	☐

Describe Basis for Conclusion:

F. BENEFICIARY AND REHABILITATION DATA

18.

a. Describe the program participant's system for maintaining applicant, beneficiary, and rehabilitation records/information.
Describe Basis for Conclusion:

	Yes	No
b. Is adequate security afforded to applicant data that are confidential?	☐	☐

Describe Basis for Conclusion:

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c. Are rehabilitation loan and/or grant documents kept in a secure and fireproof facility?	☐	☐
	Yes	**No**

Describe Basis for Conclusion:

d. Is there an electronic data backup system?	☐	☐	☐
	Yes	**No**	**N/A**

Describe Basis for Conclusion:

19.

Describe the program participant's system for tracking and reporting rehabilitation activities in the Integrated Disbursements and Information System (IDIS).
Describe Basis for Conclusion:

20.

Does the program participant's system assist in analyzing its own program outputs?	☐	☐
	Yes	**No**
Describe Basis for Conclusion:		

G. LUMP SUM DRAWDOWNS

21.

a. Does the program participant draw down funds in a lump sum as permitted by the regulation at 24 CFR 570.513?	☐	☐
	Yes	**No**
Describe Basis for Conclusion:		

b. If the answer to "a" above is "yes," what is the date of the execution of the agreement and the amount of the initial deposit?
Describe Basis for Conclusion:

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22.

a. If the program participant has drawn down funds in a lump sum, does the participant have a <u>written</u> lump sum agreement? [24 CFR 570.513(b)(2)]	☐	☐	☐
	Yes	**No**	**N/A**

Describe Basis for Conclusion:

b. Does the lump sum agreement contain the required elements? [24 CFR 570.513(b)(2)]	☐	☐	☐
	Yes	**No**	**N/A**

Describe Basis for Conclusion:

c. Does the agreement describe the benefits to be provided by the private financial institution in support of the program participant's rehabilitation program, including provisions of interest payments, and at least one of the three regulatory requirements; and are such benefits being provided? [24 CFR 570.513(b)(9)(i) and (ii)]	☐	☐	☐
	Yes	**No**	**N/A**

Describe Basis for Conclusion:

23.

a. Was a copy of the executed agreement provided to the HUD Field Office (as well as any modifications made to the agreement during its term, if applicable)? [24 CFR 570.513(b)(2)]	☐	☐	☐
	Yes	**No**	**N/A**

Describe Basis for Conclusion:

b. Was HUD notified of the amount of CDBG funds distributed to the private financial institution before the funds were used for the intended purpose? [24 CFR 570.513(e)]	☐	☐	☐
	Yes	**No**	**N/A**

Describe Basis for Conclusion:

24.

Are the funds being used in accordance with the written agreement for eligible rehabilitation of privately-owned properties? [24 CFR 570.513(b)(1)]	☐	☐	☐
	Yes	**No**	**N/A**

Describe Basis for Conclusion:

25.

a. Did use of the deposited funds commence within 45 days of the deposit? [24 CFR 570.513(b)(4)]	☐	☐	☐
	Yes	**No**	**N/A**

Describe Basis for Conclusion:

b. Were funds substantially disbursed within 180 days of receipt of the deposit (e.g., 25% of the fund, deposit plus interest earned)? [24 CFR 570.513(b)(4)]	☐	☐	☐
	Yes	**No**	**N/A**

Describe Basis for Conclusion:

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26.

Does the program participant review the level of program activity annually? [24 CFR 570.513(b)(5)]	☐	☐	☐
	Yes	**No**	**N/A**
Describe Basis for Conclusion:			

H. ESCROW ACCOUNTS

27.

a. Has the program participant established escrow accounts for use in funding the rehabilitation of residential properties? (If the answer is "no," skip to Section I.)	☐	☐
	Yes	**No**
Describe Basis for Conclusion:		

b. If the answer to "a" above is "yes," are the use of the funds limited to loans and grants of primarily residential properties containing no more than four dwelling units (and accessory space, if applicable)? [24 CFR 570.511(a)(1)]	☐	☐	☐
	Yes	**No**	**N/A**
Describe Basis for Conclusion:			

28.

	Yes	No
a. Are the escrow accounts used, and funds deposited into an escrow account, only when specifically provided for in an executed contract between a property owner and contractor? [24 CFR 570.511(a)(2)]	☐	☐

Describe Basis for Conclusion:

	Yes	No
b. Is the amount of funds deposited limited to an amount expected to be disbursed within 10 working days from date of deposit? [24 CFR 570.511(a)(4)]	☐	☐

Describe Basis for Conclusion:

29.

	Yes	No
a. Are escrow funds deposited into an interest-bearing account? [24 CFR 570.511(a)(3)]	☐	☐

Describe Basis for Conclusion:

b. If the answer to "a" above is "yes," is the interest earned on the account remitted to HUD at least quarterly (less any service charges), unless the interest is attributable to the investment of program income (in which case, this should be described in the "basis for conclusion" below)? [24 CFR 570.511(b)]	☐ Yes	☐ No	☐ N/A

Describe Basis for Conclusion:

I. OTHER REQUIREMENTS

30.

Does the program participant comply with the Lead Hazards requirements of 24 CFR Part 35? (Use appropriate Exhibits in Chapter 24 to answer this question.) [24 CFR 570.608]	☐ Yes	☐ No

Describe Basis for Conclusion:

31.

a. Does the program participant acquire property for the purpose of rehabilitation?	☐ Yes	☐ No

Describe Basis for Conclusion:

	Yes	No	N/A
b. If CDBG funds were used in a project involving the rehabilitation, acquisition, or demolition of the property, and if any tenants or owners were required to relocate permanently or temporarily, were the applicable relocation requirements followed [e.g., the Uniform Relocation Act (URA), Section 104(d)]? (If needed, refer to your Regional Relocation Specialist for assistance with this question.) [24 CFR 570.606, 49 CFR 24, and 24 CFR 42]	☐	☐	☐

Describe Basis for Conclusion:

	Yes	No	N/A
c. If the program participant acquires property, does it have a system for tracking the property(ies) and ensuring compliance?	☐	☐	☐

Describe Basis for Conclusion:

32.

	Yes	No
Were the environmental requirements at Part 58 met? (Use the applicable Exhibit(s) in Chapter 21 to answer this question.)	☐	☐

Describe Basis for Conclusion:

33.

If applicable, were Davis-Bacon requirements met? (Use the appropriate question(s) in Chapter 23 to answer this question.)	☐	☐	☐
	Yes	**No**	**N/A**
Describe Basis for Conclusion:			

J. SUMMARY OF EXHIBIT 3-11 REVIEWS

34.

Summarize the conclusions reached in carrying out individual activity/project reviews under Exhibit 3-11. Include any findings, concerns and/or observations. As applicable, questions in the above sections should cross-reference the information in this section, using the Project or Application number(s) from Exhibit 3-11 to support determinations regarding the management of this participant's rehabilitation program.
Describe Basis for Conclusion: