**Section 110.340 Department Monitoring**

a) The grantee shall be responsible for operating the RF in accordance with the terms of its CDAP grant agreements and its RF Plan.

b) The grantee shall permit any agent authorized by the Department, upon presentation of credentials, to have full access to and the right to examine any documents, papers, and records of the grantee and the RF relating to transactions of the RF.

c) The Department shall monitor RF programs using on-site visits, semi-annual status reports submitted by the grantee, disbursement transactions and other contacts with the grantee as necessary.

d) Department monitoring procedures shall concentrate on financial assistance evaluation and decision-making as well as servicing and monitoring of RF agreements. The grantee shall remain responsible for the actions, compliance and recordkeeping of its administrator. Grantee communities are responsible for establishing a system to monitor the performance of their RF administrator.

e) Pursuant to its obligations under the Act, this Part, and the applicable grant agreements, the Department will conduct a program of RF visitations for the purpose of providing technical assistance and monitoring the operations of the local RF grantees. As a result of those visits, the Department may take any of the following actions, by way of sanctions against inappropriate local RF activities or against the grantee jurisdiction:

1) issue "Findings" outlining deficiencies in the RF operations and requiring that they be corrected within a specified time;

2) the Findings may mandate the return to the RF account, from non-Block Grant sources, amounts disbursed for ineligible activities;

3) require for a specified period of time (including permanently) that an RF seek prior written approval from the Department for any specified activity. Specified activities may be limited, for instance, to include only new Financial Assistance Agreements made, or may include all RF activities. This sanction may include the requirement that all application materials for new financial assistance be forwarded for review to the Department;

4) the grantee may be deemed to be unable to continue operations of a local RF program, in which case the Department may take any of the following actions:

A) revocation of local authority to operate a CDBG RF;

B) instruct the grantee to continue to collect loan payments of existing Financial Assistance Agreements and service the current portfolio. However, no additional Financial Assistance Agreements would be allowed to be made from the portfolio. Instead, on a yearly basis the balance available in the account would be returned to the Department; and

C) instruct the grantee to turn over the cash balance and loans in the RF to the Department.

f) The grantee or RF administrator shall conduct at least one on-site monitoring visit of each RF financial assistance recipient to verify job creation and retention, low and moderate-income benefit, documentation of expenditures, and compliance with the other terms and conditions of the Financial Assistance Agreement before closing out a project and shall maintain documentation of the visit.

(Source: Amended at 28 Ill. Reg. 13468, effective September 23, 2004)