

**STATE OF NEW JERSEY • DEPARTMENT OF COMMUNITY AFFAIRS •
SANDY RECOVERY DIVISION**

SUBJECT: Grant Reconciliation Policy

NUMBER: 2.10.90

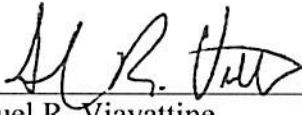
EFFECTIVE: April 2016

REVISED: May 2020

SANDY CDBG-DR

PAGE 1 OF 4

APPROVAL:



Samuel R. Viavattine
Director, Sandy Recovery Division

Introduction

The Department of Community Affairs (“DCA”) is responsible for ensuring CDBG-DR grant funds are properly disbursed according to the Action Plan submitted to the U.S. Department of Housing and Urban Development (“HUD”) and applicable State and Federal regulations.

Throughout the grant process of the Reconstruction, Rehabilitation, Elevation and Mitigation (“RREM”) Program, the Low-to-Moderate Income (“LMI”) Homeowners Rebuilding Program, and the Homeowner Resettlement Program (“RSP”), situations arise where applicants may receive an overpayment of grant funds. The following policy outlines DCA’s process to recoup funds that have been overpaid to an applicant.

NOTE: This policy replaces, in its entirety, the Recapture Policy (Number 2.10.43) effective September 2013, amended in December 2014, and again in May 2020 for the RREM Program, the LMI Homeowners Rebuilding Program, and the RSP.

Identification of Recoupment Need

A recoupment need results when there has been an overpayment of CDBG-DR funds to an applicant. Reasons for which an overpayment can occur may include:

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PAGE 2 OF 4

- Funds paid out to applicants who are later determined ineligible;
- Funds paid out to applicants who are later withdrawn;
- Funds paid out to eligible applicants who did not comply with the complete scope of work or could not validate the proper use of grant funds; and
- Funds owed as the result of additional receipt of insurance, FEMA funds, and/or other payments considered a duplication of benefits per Federal requirements (excluding the National Flood Insurance Program where additional flood insurance proceeds were received through the current FEMA claims review and settlement process only).

Notification of Recoupment Requirement

Applicants who have been withdrawn or determined to be ineligible are notified they must return previously disbursed grant funds.

For eligible applicants who have completed construction, DCA will verify that all relevant work was done in accordance with the respective program standards.

If relevant work was done in accordance with such standards, DCA will conduct a final reconciliation of the grant award calculation. If the final reconciliation reveals that the applicant has received an overpayment of grant funds, DCA will notify the applicant of the requirement to repay grant award funds.

If relevant work failed to comply with material provisions of the grant agreement, e.g. including, but not limited to, elevation for substantially damaged homes, lead abatement, energy efficiency standards, and/or environmental/historic requirements, DCA will allow applicants to remedy such failures. If applicants are still unable to comply with material provisions of the grant agreement after a remedy period, DCA will send a letter to the applicant notifying them of the requirement to repay any previously received grant award funds.

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NUMBER: 2.10.90

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SANDY CDBG-DR

PAGE 3 OF 4

Recoupment Procedure

Upon receipt of the notification of recoupment letter, applicants can choose to immediately return any previously received grant funds to close their Accounts Receivable.

For those applicants who have been withdrawn or determined to be ineligible, DCA will institute a thirty-six (36) month repayment period with no prescribed amount or frequency of payment starting from the date of the notification of recoupment letter.

For those eligible applicants who have completed construction, DCA will institute a thirty-six (36) month repayment period with no prescribed amount or frequency of payment starting from the date the applicant signed the Final Grant Reconciliation, or date of administrative signature when applicable.

Any recapture of funds may include a lump sum and/or payment installments for the outstanding balance. No interest, fees, or charges will be assessed.

The initial repayment statement and all future statements, to be sent quarterly, will contain a payment summary.

For applicants not fully repaid by month thirty-three (33), DCA may increase its recoupment efforts in compliance with New Jersey OMB Circular No. 13-11 over the following three (3) months, at which point DCA could then refer the case to the Department of Treasury, Division of Revenue and Enterprise Services (“DORES”), Cross Agency Collection and Services Bureau, to further pursue collections, including wage/tax refund garnishment.

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SANDY CDBG-DR

PAGE 4 OF 4

DCA recognizes there are unique circumstances, including, but not limited to:

- In the event of an applicant's death, DCA reserves all rights to pursue outstanding debt through the deceased applicant's estate.
- In the event of an applicant's filing for bankruptcy with his/her local District Court, s/he is responsible for listing the New Jersey Department of Community Affairs as a creditor. DCA will take appropriate action to comply with bankruptcy laws upon receipt of a court-issued notice of bankruptcy.

There are two exceptions to the above noted recoupment procedure, outlined as follows:

- Applicants already under a four (4) year repayment plan that was established prior to the execution of this policy will be grandfathered into following their previous repayment terms and conditions; and
- Applicants who have committed or under suspicion of committing fraud must repay funds to the DCA and will not be allotted a repayment period.