**Section 120.55 Grantee Termination or Reduction in Funding**

For the purpose of this Part, Section 676 (Assurance 13) and 678C of the Act (42 USC 9908(13) and 9915), administrative requirements of 47 Ill. Adm. Code 1.110, and the provisions of this Section are applicable.

a) Any Community Action Agency (CAA) shall not have its funding reduced or terminated and shall be awarded continuing CSBG program administering responsibilities in its established jurisdiction unless one or more of the following shall occur:

1) written communication to the Department stating its desire to discontinue operation of the program;

2) material failure by the CAA to comply with Sections 673, 675, 676 and 678 of the Act (42 USC 9902, 9904, 9908 and 9912) and 45 CFR 96; and

3) Failure to comply with provisions of the grant agreement and the provisions of this Part.

Examples of material failure and failure to comply include, but are not limited to, fraud, disallowance of costs that could render the CAA insolvent, denial of access to records of grant-related transactions, false reporting, serving ineligible clients, not meeting State-mandated service priorities and disregard for timeliness and accuracy in the submittal of grant required documents.

b) Upon discovery of one of the conditions noted in subsection (a), the Department will take the following action:

1) For reduction in funding, other than due to allocation changes, the Department will notify the CAA in writing of its initiation of the reduction, stating the reason, the amount and the process, including corrective action provisions when applicable, and appeal provisions.

2) For termination of funding, the Department will provide notice to the CAA of the deficiency causing the initiation of termination proceedings, require the agency to correct the deficiency, and offer training and technical assistance to the agency to assist in correcting the deficiency. The notice will also advise the CAA of its right to a hearing on the matter in accordance with Section 678C of the Act (42 USC 9915) and this Part. If the Department is concerned with potential audit disallowances, it will advise the CAA that in order to receive continued CSBG funding throughout the termination process, it must agree to submit to a Department appointed official as a reviewer of all CSBG-related expenditures. The only CSBG costs that will be approved by the reviewer are those that are allowable under this Part. In the event that the CAA does not agree to the Department’s review of expenditures, notice of funding suspension pending termination will be provided to the CAA and simultaneously to the Secretary of the U.S. Department of Health and Human Services. The Department will also advise the CAA of its right to seek direct funding from the U.S. Department of Health and Human Services.

c) The hearing shall be conducted in accordance with the Department’s administrative hearing rules found at 56 Ill. Adm. Code 2605.

d) The Director of the Department will review the hearing officer's recommendation and will base his/her decision on findings of fact and conclusions of laws that substantiate grant termination pursuant to Section 120.55(a). The Department will notify the CAA of the Department's final determination.

e) Secretary's Review

If the Department's decision is to terminate funding to the CAA, the Department shall also, with its notice to the CAA, advise the CAA of the provisions for review of the termination proceedings by the Secretary of the Federal Department of Health and Human Services pursuant to Section 678C of the Act (42 USC 9915).

(Source: Amended at 27 Ill. Reg. 7986, effective April 28, 2003)