



**FY 2018**

**OPERATING MANUAL**

**ECONOMIC DEVELOPMENT DEPARTMENT**  
**COMMUNITY DEVELOPMENT DIVISION**

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## INTRODUCTION

The U.S. Department of Housing and Urban Development (HUD) provides the Community Development Block Grant Program (CDBG) to preserve and develop viable urban communities. The City of San Diego (City) Economic Development Department's Community Development Division directly administers the CDBG Program and has oversight responsibilities over the Emergency Solutions Grant Program (ESG), the HOME Investment Partnerships Program (HOME), and the Housing Opportunities for People of AIDS Program (HOPWA). The City is responsible for grant compliance of all four (4) HUD Entitlement programs.

The City of San Diego has utilized CDBG funds to improve community facilities and services, revitalize neighborhoods, expand affordable housing, and expand economic opportunities that benefit low/moderate-income persons.

ESG funds have been utilized to support shelters for homeless individuals and families and to rapidly re-house homeless San Diegans. The San Diego Housing Commission (SDHC) is the subrecipient for ESG.

This Operating Manual (Manual) applies to all CDBG and ESG funds awarded, but may also apply to other funding sources for which the Community Development Division has direct administration or oversight responsibilities. The purpose of this Manual is to provide details to all Subrecipients on applicable federal and City rules and requirements. It is designed as guidance to help Subrecipients understand the requirements that apply to the use of federal funds for the delivery of the CDBG and ESG Programs and its eligible activities. It is a **supplement** to applicable regulations, standards, and policies. The basic program regulations, government management, and financial systems for the CDBG Program and the ESG Program are contained in Title 24 of the Code of Federal Regulations (CFR) and various Office of Management and Budget (OMB) Circulars referenced in this manual.

This Manual does not replace or amend any of the provisions included in the Agreement executed between the City and Subrecipient and should not be used in lieu of reading the Agreement. Should there be any disagreement between the executed Agreement and this Manual, the provisions contained within the Agreement shall take precedence. The Agreement refers to the executed contract, service level agreement, or memorandum of understanding between the City and the Subrecipient.

The procedures prescribed in this Manual represent minimum requirements and controls that must be embodied within the Subrecipient's accounting, internal controls, and financial reporting systems. They are not intended to replace existing procedures used by the Subrecipient that achieve the same results. The Manual is incorporated in its entirety into the Agreements entered into by the City and Subrecipient for the operation of CDBG-funded and ESG-funded projects. Each Subrecipient must comply with the minimum requirements and procedures prescribed in this Manual to the maximum extent feasible. In addition, each Subrecipient must ensure that a copy of the Manual is accessible to all personnel responsible for compliance with requirements and procedures contained in the manual.

**The approval of the City's Community Development Division must be obtained for any deviation from the minimum requirements contained in this Manual. Any proposed deviations shall be considered by the Community Development Division upon receipt of a**

**completed Agreement/Operating Manual Exemption Request Form submitted by the Subrecipient.**

This Manual and any revisions that may be issued from time to time shall be effective until superseded or canceled by appropriate notice from the Community Development Division Office. Comments and suggestions for changes, modifications, or improvements are encouraged, and should be submitted in writing to the Community Development Division.

The Community Development Division's contact information is as follows:

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## SECTION I BASIC REQUIREMENTS

Subrecipients shall comply, and require each of its subcontractors to comply with the basic requirements (applicable laws, rules, regulations, ordinances, resolutions, permits, and policies of the federal, state, and local governments) of the Agreements entered into by the City and the Subrecipient. The provisions listed herein do not in any way abrogate or modify any of the terms or conditions of the executed CDBG Agreements and ESG Agreements.

### A. FEDERAL REGULATIONS

The key federal regulations that form the basic administrative requirements of the CDBG and ESG programs are summarized in this section to provide a framework for the standards referenced in this Manual. The regulations have been developed by HUD in order to carry out the federal statutes that established the CDBG Program and ESG Program. The regulations address the CDBG Program itself, and other federal laws or policies relevant to the CDBG Program (e.g., National Environmental Policy Act, Americans with Disabilities Act, Davis-Bacon Act, etc.).

#### 1. CDBG Program Management Regulations

The basic program regulations governing management and financial systems for the CDBG program are disseminated by the federal government in 24 CFR Part 570, Subparts J and K. They are applicable both to grantees (i.e., the City) and to public or private sector Subrecipients (i.e., nonprofit organizations):

- a. Subpart J (24 CFR 570.500–570.513) covers the general responsibilities for grant administration, including uniform administrative requirements, provisions of subrecipient Agreements, program income, use of real property, recordkeeping and reporting, and closeout procedures.
- b. Subpart K (24 CFR 570.600–570.614) deals with other CDBG program requirements, including civil rights, labor standards, environmental standards, flood insurance, relocation, displacement, acquisition, employment and contracting opportunities, lead-based paint, use of debarred, suspended or ineligible Subrecipients, uniform administrative requirements and cost principles, conflicts of interest, and the Americans with Disabilities Act.

#### 2. ESG Program Management Requirements

General guidelines for activities of the ESG Program are listed at 24 CFR Part 576. Subpart A (24 CFR 576.1–576.3) covers the general provisions. Subpart B (24 CFR 576.100–576.109) covers program components and eligible activities. Subpart E (24 CFR 576.400–576.408) covers the program requirements. Subpart F (24 CFR 576.500–576.501) covers grant administration.

#### 3. General federal Requirements

In addition to the basic regulations of the CDBG program and ESG program, there are three (3) other categories of requirements that affect the administrative systems and procedures that Subrecipients must have in place in order to receive CDBG or ESG grant funds:

- Federal regulations governing administrative and audit requirements for grants and cooperative agreements (governmental subrecipients) for which HUD has oversight responsibilities;
- Administrative circulars from the OMB and Department of the Treasury governing cost principles, administrative systems, fiscal procedures, and audit requirements for public and private grantees and Subrecipients;

- Executive Orders from the Office of the President implementing various equal employment opportunity and environmental policies.

#### B. GENERAL REQUIREMENTS

Subrecipients must constantly monitor their performance to ensure that time schedules are being met, projected milestones are being accomplished, and other performance goals are being achieved in accordance with the executed Agreement. In addition, all activities must be conducted in compliance with the applicable federal and City requirements.

Problems, delays, or adverse conditions that shall affect the Subrecipient's ability to meet its program objectives or its time schedules should be reported to the designated Community Development Project Manager as soon as determined or on the Subrecipient's Monthly Programmatic Report, as appropriate. The Community Development Division's emphasis is on preventing and correcting problems before they develop into serious obstacles to program implementation or completion.

Completion of program activities within the timeframes established in the approved application is extremely important. CDBG funds are subject to reprogramming by the City if an activity or project is no longer feasible or funds remain unexpended within the designated termination date listed in the CDBG Agreement.

#### C. KEY PROVISIONS

Several of the following provisions are included in the executed Agreement. These provisions are included here for emphasis due to their importance. Each Subrecipient must comply with these provisions in order to meet the specific City and federal requirements.

##### 1. Subcontracts

No portion of the program services or activities set forth in the CDBG/ESG Agreement may be subcontracted to another Subrecipient or entity, and no disbursements may be made to such a Subrecipient or entity without a written contractual agreement that has been approved by the Community Development Division Office. In addition, any modifications or amendments to any subcontract must be submitted to the designated Project Manager upon their execution. The subcontract agreement must include the following:

- a. A description of specific project services to be provided.
- b. A provision whereby either party to the agreement may terminate the agreement upon receipt of written notice of not more than thirty (30) days.
- c. The total amount of compensation to be paid to the subcontractor.
- d. Requirement that the subcontractor submit an invoice or other supporting documentation to the Subrecipient that details the work completed and the total hours worked, prior to receiving compensation for services rendered.
- e. Beginning and ending dates to the agreement. No subcontractor agreement paid for with City funds shall be entered into that has a term extending beyond the ending date of the Agreement between the City and the Subrecipient. Additionally, in no event shall the subcontract commence prior to the effective date of the Agreement between the Subrecipient and the City.
- f. Terms and requirements mandated by the City or federal guidelines.

##### 2. Conflict of Interest

The Subrecipient must comply with all federal, state, and local conflict of interest laws, regulations, and policies applicable to public contracts and procurement

practices. Subrecipients shall ensure that no person shall be employed under the Agreement if that person or member of the person's immediate family serves on a board or committee that has the authority to make personnel decisions that could affect the person's job, and no person shall be employed if a member of the person's immediate family would have supervisory authority over that person. A member of the immediate family includes spouse, children, mother, father, sister, brother, and the in-laws of any of these persons. In addition, subcontracts or lease agreements shall not be awarded to any person employed by the Subrecipient, or to any member of the person's immediate family, without prior approval by the City.

3. Client Confidentiality

The confidentiality of all clients (including the name of the client, services provided to a client, and the reason(s) for such services) must be maintained by Subrecipients at all times, except when disclosure of such information is authorized by provisions listed in the executed Agreement, prearranged agreement with the clients, or required by law for court order.

4. Volunteers

Subrecipients utilizing volunteers to assist in accomplishing any appropriate portions of the service provisions in the executed Agreement shall maintain a record for each volunteer containing the hours worked and activities performed on file. Subrecipients shall ensure that volunteers adhere to all program requirements, including the requirements for client confidentiality.

5. Rights and Remedies Not Waived by Payment

In no event shall any payment by the City to the Subrecipient constitute or be construed to be a waiver by the City of any breach of the terms or conditions of the executed Agreement, or of any default on the part of the Agreement that may then exist, and any payment or payments by the City shall in no way impair or prejudice any right or remedy available to the City with respect to such breach or default.

6. Grievance Process

Subrecipients shall ensure that a grievance process is in place that stipulates how client grievances shall be resolved, including those served through subcontractors. There should also be a grievance process in place that stipulates how subcontractor/vendor grievances shall be resolved. At a minimum, the following elements shall be included in the Subrecipient's grievance policy:

- How the grievance shall be documented;
- Who (name and position title) shall be authorized to handle/look into the grievance;
- Appeal process if complainant is not satisfied with first level;
- Timeline for complaint resolution; and
- Tracking of complaints (how status and results shall be documented and reported).

Subrecipients shall ensure this policy is displayed in an area accessible to all clients at each project site. Investigation results shall be maintained on file by the Subrecipient.

7. Availability of Records and Information

For the purpose of inspecting, auditing, monitoring, or evaluating the Subrecipient's performance, or that of its subcontractors, in meeting their contractual requirements/obligations and compliance with applicable laws, rules, and regulations, the Subrecipient must permit, and must require its subcontractors to permit, authorized City personnel, the U.S. Government, or their authorized agents to inspect and photocopy all books, accounting records,

invoices, receipts, payroll records, personnel records, and any other project data or records pertaining to all matters covered in the Agreement. Such records and information must be made available during normal business hours at a reasonable location within the County of San Diego, and as often as the aforementioned officials deem necessary. The City or U.S. Government officials must be permitted to make excerpts or copies of such records and data that are related in whole, or in part, to the executed Agreement. The City must keep any copies of the Subrecipient's data and records in the strictest confidence allowed by law. If the Subrecipient is unable to make all such data and records available for inspection within the County of San Diego, then the Subrecipient must pay all of the City's travel related costs to inspect or audit the data and records at the location where the data and records are maintained.

8. Records Retention

Subrecipients must ensure that all project records are maintained and stored for a period of not less than three (3) years after final submission of all required reports under the CDBG Agreement or ESG Agreement, or three (3) years after the City and Subrecipient make all final payments, or until all pending matters (including audit findings) have been resolved, whichever is longest. After the applicable period has expired, Subrecipient shall provide the City with thirty calendar days' written notice of its intent to dispose of any project records.

9. Sectarian Control or Influence

Subrecipients must ensure that all programs and activities undertaken pursuant to the executed Agreement are free of sectarian control or influence, and that no monies, property, materials, or services that are provided under the Agreement are applied to religious establishment or purpose.

10. Political Activity Prohibited

Subrecipients must not use or permit to be used any funds, property, materials or services that are directly or indirectly authorized by the executed Agreement for any partisan political purpose or activity, or to further the election or defeat of any candidate for public office.

11. Political Affairs or Activities

"Political affairs or activities" as used here means the expenditure of funds or use of personnel in a support or advocacy role concerning any matter currently pending or being proposed by a vote of the people or enactment by any legislative body of the City or County of San Diego, State of California, or the federal Government.

12. Fair Housing

Subrecipients shall comply, and require its subcontractors to comply, with Title VIII of the Civil Rights Act of 1968 (Fair Housing Act), as amended, which prohibits discrimination in the sale, rental, and financing of dwellings, and in other housing-related transactions, based on race, color, national origin, religion, sex, familial status (including children under the age of 18 living with parents or legal custodians, pregnant women, and people securing custody of children under the age of 18), and disability. In addition, Subrecipients shall comply with the regulations issued following Title VI of the 1964 Civil Rights Act (as amended by Executive Orders 11246, 11375, and 12086) and Section 109 of the 1975 Housing and Community Development Act that prohibits discrimination in HUD programs based on sex, race, color, national origin, and religion and administer all programs and activities in a manner to affirmatively further the policies of the Fair Housing Act.

13. Section 504

Subrecipients shall comply, and require its Subcontractors to comply, with any federal regulations issued pursuant to compliance with Section 504 of the Rehabilitation Act of 1973, which prohibits discrimination against persons with disabilities in any federally assisted program.

D. EXEMPTION REQUESTS

Subrecipients may submit to the Community Development Division Office exemption requests regarding Agreement or Operating Manual terms as applicable. However, this shall be limited to items such as submittal deadlines, type of supporting documentation accepted, or records maintenance systems. A Fiscal Year 2018 Agreement/Operating Manual Exemption Request Form must be submitted for these considerations. The Community Development Division Office shall review the exemption requests and notify the Subrecipient regarding the determination of approval or denial of the request.

E. CDBG-FUNDED PROGRAM REQUIREMENTS

1. Identification Requirement

Subrecipients receiving CDBG funds from the City, and its subcontractors, shall ensure that all CDBG-funded programs and activities are clearly identified to participants and the public as those of the CDBG program, and that these programs and activities do not appear to be an extension of the programs and activities of any private organization or public institution. To comply with this requirement, a notification to be worded as follows shall be clearly posted or otherwise displayed: "This project is funded in whole or in part with Community Development Block Grant (CDBG) Program funds provided by the U.S. Department of Housing and Urban Development (HUD) to the City of San Diego." Subrecipients shall indicate this on all reports, data, brochures, newsletters, advertising, Internet web sites, fact sheets, news releases, and other materials, as applicable. In addition, Subrecipients conducting construction activities shall ensure the required funding source notification is prominently posted at the worksites.

2. Environmental Review

All projects and project activities undertaken with CDBG funds are subject to the provisions of the National Environmental Policy Act of 1969, as amended (NEPA), which established national policies, goals, and procedures for protecting, restoring and enhancing environmental quality. In addition to NEPA requirements, CDBG-funded projects are also subject to other related laws and federal, state, and local authorities. Examples include historic preservation, clean air, and flood management. CDBG regulations require the preparation of a project Environmental Review Record (ERR) and environmental clearance before funds are expended or costs incurred. City staff shall prepare all environmental review documentation required by HUD. However, Subrecipients may be asked to assist in the development of the ERR by providing additional information, maps, and site data. In some cases, Subrecipients may be asked to complete a biological assessment or gain project clearance from the state historic preservation office. Subrecipients shall comply with all terms and conditions and shall implement all required mitigation measures identified in the ERR completed for their project.

3. Labor Standards

The Davis-Bacon Act states that Agreements in excess of \$2,000 for construction, alterations, or repairs, including painting and decorating, that employ laborers or mechanics adhere to the federal fair labor and wage requirements as established by the Act. Davis-Bacon law applies to the entire project, no matter how small the



CDBG contribution. HUD has a guidebook entitled, “Making Davis-Bacon Work: A Contractor’s Guide to Prevailing Wage Requirements for Federally-Assisted Construction Projects” that further assists those Subrecipients involved in construction projects. This can be accessed at: [www.hud.gov/offices/olr/library](http://www.hud.gov/offices/olr/library). Exceptions to the Davis-Bacon Act include:

- The prime construction contract funded in whole or in part with CDBG funds is less than \$2,000;
- The entire project consists solely of demolition;
- The entire project consists of rehabilitating property that was designed for fewer than eight (8) units;
- The project consists solely of delivery of goods or services (non-construction Agreement);
- There are no federal monies in the construction project; or
- The funds shall be used for acquisition ONLY and there is no construction.

In addition, pursuant to San Diego Municipal Code section 22.3019, construction, alteration, demolition, repair and maintenance work performed on the CDBG project is subject to state prevailing wage laws, and Subrecipient shall ensure compliance with all applicable prevailing wage laws and requirements. For construction work performed on the CDBG project that cumulatively exceeds \$25,000 and for alteration, demolition, repair and maintenance work performed on the CDBG project that cumulatively exceeds \$15,000, Subrecipient shall ensure that any and all contractors and subcontractors performing work contemplated under the CDBG Agreement comply with State prevailing wage laws.

4. Relocation

All acquisition of real property, rehabilitation, demolition, conversions, permanent easements requiring relocation of families, individuals, businesses, nonprofits, or farms are to be conducted in accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (Uniform Act or URA). If CDBG funds are used for any part of the project, Subrecipients must comply with the URA, even if local or other non-CDBG funds are used to pay the acquisition costs. The purpose of the URA is to provide displaced persons with fair, equitable treatment and protection from disproportionate injury by projects designed to benefit the public as a whole. The URA applies to the following actions:

- Displacement of persons/businesses that must move permanently as a direct result of acquisition, demolition, or rehabilitation for CDBG-funded projects;
- Acquisition of real estate for CDBG-funded projects, whether publicly or privately undertaken; and
- Temporary relocation of persons/businesses who are required to move for a relatively short time because of a CDBG-funded project, but who may return to the building once the work is complete.

Subrecipient is responsible for providing rent rolls and relocation noticing per HUD’s Handout 1378.

[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/library/relocation/policyandguidance/handbook1378](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/library/relocation/policyandguidance/handbook1378)

5. Section 3 Compliance

The requirements for Section 3 of the Housing and Urban Development Act of 1968, as amended (Section 3) applies to capital projects and housing development projects that exceed \$200,000 in HUD funding. Subcontractors receiving an excess of \$100,000 from projects required to comply with Section 3 shall also be

required to comply with Section 3 requirements. These requirements are listed in the CDBG Agreement.

6. Income Eligibility Guidelines

CDBG regulations specify income restrictions and records at 24 C.F.R. 570.506. HUD has issued additional guidance to help grantees and subrecipients utilize a standard approach to calculating income across several HUD Community Planning Development (CPD) Programs. Please see the CPD Income Eligibility Calculator <https://www.hudexchange.info/incomecalculator/> for step-by-step instructions on how to calculate income in accordance with HUD Program rules and the [Income Eligibility Calculator User Manual](#) for more information. Income eligibility determinations shall be based on the most current HUD Income Limits issued by HUD (<http://www.huduser.org/portal/datasets/il.html>) on an annual basis, which are distributed by the Community Development Division. CDBG projects required to demonstrate Low/Mod Limited Clientele eligibility must ensure documentation is maintained to confirm 51 percent of the total clients served are low/moderate-income persons. CDBG limited clientele regulation at 24 CFR 570.208(a)(2)(A) provides for the benefit of a clientele who are generally presumed to be principally low/moderate-income persons. Projects that exclusively serve a group of persons in any one or a combination of the following categories may be presumed to benefit persons 51 percent of whom are low/moderate income: abused children, battered spouses, elderly persons, adults meeting the Census' Current Population Reports definition of "severely disabled"; homeless persons, illiterate adults, persons living with AIDS, and migrant farm workers. Presumed Benefit determination does not apply to Microenterprise Assistance Activities or Housing Activities. For example, a housing rehabilitation activity that serves only senior citizens or the disabled cannot qualify under the limited clientele criteria. Projects conducting these activities are required to document that 100 percent of the clients or households served with CDBG funds are low/moderate-income persons. Subrecipients are required to maintain written guidelines/procedures on how compliance with limited clientele and other national objectives are determined and documented.

7. Timeliness

Entitlement jurisdictions that receive CDBG funds, such as the City, are required to use their funds in a timely manner and the penalty for noncompliance can be the loss of future CDBG funding. As detailed in Council Policy 700-02, CDBG funds are subject to reprogramming by the City if an activity or project is no longer feasible or remain unexpended within twelve (12) months of July 1, 2017, for non-construction projects and within twenty-four (24) months of July 1, 2017, for construction projects. In addition, Subrecipients shall ensure Requests for Reimbursements are submitted to the Community Development Division on a monthly basis as described on page 25 (Section IV, A.).

8. Performance Indicators

Performance indicators will be evaluated based on FY 2018 programmatic and fiscal performance results and compliance with reporting requirements.

G. ESG-FUNDED PROGRAM REQUIREMENTS

1. The ESG Program provides funding to (a) engage homeless individuals and families living on the street; (b) improve the number and quality of emergency shelters for homeless individuals and families; (c) help operate these shelters; (d) provide essential services to shelter residents; (e) rapidly re-house homeless individuals and families; and (f) prevent families/individuals from becoming

homeless. The SDHC is the City's Subrecipient of ESG funds per the 2014 MOU, as amended.

2. ESG Providers must ensure compliance with the criteria and recordkeeping requirements for defining homelessness, as well as all recordkeeping and reporting requirements. As such, the SDHC must comply with all applicable ESG standards and utilize ESG funds in accordance with the approved City of San Diego FY 2018 Annual Action Plan.



## SECTION II PROCUREMENT REQUIREMENTS

Subrecipients receiving CDBG or ESG funds from the City shall purchase goods and services or subcontract for same to the maximum extent possible from firms which employ a substantial percentage of target areas residents, or are located within the target area, or are owned to a substantial degree by target area residents. Subrecipients shall follow a free and open competitive process in securing those goods and services. Subrecipients shall also document the procurement activities and decisions, observe special rules for particular types of purchases (small purchases, competitive sealed bids, competitive proposals, and sole source procurement), properly bond and insure work involving large construction contracts or subcontracts, and contract with minority- or women-owned businesses to the maximum extent feasible. Subrecipients must maintain records sufficient to detail the history of procurement. These records shall include the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Subrecipients shall ensure that a current copy of their Procurement Policy complies with federal requirements and is submitted to the Community Development Division Office.

### A. ETHICAL REQUIREMENTS IN PROCUREMENT

It is important for the City and its citizens to have confidence in the integrity of Subrecipients that contract with the City to provide services, complete activities or administer programs as a result of receiving funding from or through the City. Officers, directors, members, committee members, staff, and volunteers of these nonprofit organizations shall avoid taking actions that give the appearance of being motivated by private gain. The appearance of a conflict of interest is created by the selection, recommendation, or specification of a product, supplier or subcontractor with whom the representative of the nonprofit has a direct or indirect financial, organizational or family interest or relationship.

This policy is not intended to supersede, negate, or otherwise invalidate any statute, ordinance or policy, but is intended to supplement existing authorities governing these subjects. Subrecipients receiving CDBG funds, ESG funds, or other funds from HUD, are subject to federal authorities governing the receipt of those funds.

### B. PROCEDURES FOR PROCUREMENT OF GOODS AND SERVICES

All procurement of goods and services by nonprofit associations contracting with the City, which receive funding from or through the City pursuant to the CDBG Program shall, in addition to complying with the applicable federal authorities governing the procurement of goods and services (including, but not limited to, those set forth in 2 CFR 200.318 through 200.326) (Federal Procurement Provisions), comply with Divisions 30–36 of Article 2, Chapter 2, of the San Diego Municipal Code, and all other laws and policies applicable to the City's procurement of such goods and services (City Procurement Provisions). To the extent that it is impossible to comply with both the City Procurement Provisions and the federal Procurement Provisions or if the City Procurement Provisions interpose an obstacle to the achievement of Congress's discernible objectives for the CDBG Program, the nonprofit corporations shall comply with the Federal Procurement Provisions.

When a *contract* provides for an expenditure of \$25,000 or less, the nonprofit corporation shall comply with the applicable Federal Procurement Provisions governing the

procurement of goods and services, but no additional competitive procurement process is required.

When a *contract* provides for an expenditure greater than \$25,000, but equal to or less than \$50,000, the nonprofit corporation shall comply with the applicable Federal Procurement Provisions governing the procurement of goods and services and may award the *contract* but shall seek competitive prices either orally or in writing, and shall:

- Present price proposal information to full board for approval of contract or transaction.
- Record the action taken in the meeting minutes, and keep the written price proposals on file.

When a *contract* provides for an expenditure greater than \$50,000 but equal to or less than \$150,000, the nonprofit corporation shall comply with the applicable federal Procurement Provisions governing the procurement of goods and services and may award the *contract* but shall solicit written price quotations from at least five (5) potential sources, and shall:

- Present price proposal information to full board for approval of contract or transaction.
- Record the action taken in the meeting minutes, and keep the written price proposals on file.

When a *contract* provides for an expenditure greater than \$150,000 but equal to or less than \$1,000,000, the nonprofit corporation shall comply with the applicable federal Procurement Provisions governing the procurement of goods and services and may award the *contract* only after advertising it for a minimum of one (1) day in the City Official Newspaper at least ten (10) days before bids or proposals are due, and shall:

- Draft a Request for Proposals describing the services or goods required, and requesting information from prospective contractors regarding relevant qualifications and a price proposal.
- Screen all submitted proposals and prepare short list of finalists for consideration by the board for approval. Finalists for a contract or transaction involving expert or professional services shall be interviewed by a screening committee or by the board prior to a final selection being made.
- Record action taken by the board in meeting minutes and keep the proposals received on file.
- After board approval, execute a contract in writing with the subcontractor or vendor, and submit a copy of the contract to the City.

Additional considerations are as follows:

- The advertisement shall include:
  - A brief, accurate description of the service wanted;
  - The full address of the place where complete sets of the responses may be obtained;
  - The deadline, if any, for obtaining the Request for Proposals (RFP) documents; and
  - The date and time at which responses will be opened and evaluated and after which no responses will be accepted.

- The advertisement and RFP must be submitted to the designated Community Development Project Manager for review and approval prior to publication.
- The RFP shall include, but not be limited to, the following:
  - A description of the service needed in sufficient detail to permit potential proposers to judge whether they are qualified and interested;
  - The relative importance of price in selecting a contractor;
  - Project location address;
  - Notification of federal and City requirements for the project (Equal Employment Opportunity, Women's and Minority Business Enterprise, compliance with federal and local laws, insurance requirements, etc.);
  - The date, time and place of the pre-bid conference/meeting, and whether attendance is mandatory;
  - The complete mailing address of the place to which responses must be delivered, as well as whether mail, in person or courier may be used in addition to hand delivery by the proposer;
  - Instructions for packaging the response and for labeling the package;
  - The name and title and phone number of the Subrecipient staff person who is in charge of the RFP and to whom any questions must be directed;
  - The date and time at which responses will be opened and evaluated and beyond which none will be accepted; and
  - The time frame or schedule by which the work must be completed, which may be expressed in stages.
- Subrecipient's selection criteria by which the responses will be evaluated should include factors such as:
  - Technical competence demonstrated through experience, examples of work, and references;
  - Evidence that the proposer has the financial and other resources needed to complete the work;
  - Stated ability and willingness to complete the work within the stated time frames;
  - Merit of specific proposed approaches to the work; and
  - Cost of proposed services.
- Each criterion selected by Subrecipient shall be given a maximum point value. While maximum point values adding to 100 are commonly used, a point total adding to more or less than 100 may be used.
- Subrecipient's evaluation committee shall evaluate the proposals received on the basis of the criteria stated in the RFP and the cost/price evaluation. [NOTE: The RFP will be required to be re-advertised if adequate competition does not result from the RFP process completed.]
- A proposal may be determined unacceptable on technical grounds, if the price is clearly excessive compared to other acceptable offers, or if the proposer does not respond to the RFP as intended. Those that are clearly not acceptable shall be notified by letter with an appropriate brief explanation for this decision.
- When one (1) proposal is clearly superior to all others, that proposer shall be notified of their tentative award of the contract, subject to negotiation of mutually acceptable terms.

- After the completion of the competitive RFP process, Subrecipient shall schedule a meeting with the designated Community Development Project Manager to discuss the process completed.
- Complete documentation of the evaluation process completed and the results must be maintained and reported the designated Community Development Project Manager. Copies of the proposals received shall also be submitted to the designated Community Development Project Manager.
- A copy of the Agreement between Subrecipient and the subcontractor selected shall be submitted to the designated Community Development Project Manager for review and acceptance, prior to execution.

Procurement by sealed bids (formal advertising) shall be completed for all CDBG-funded construction projects expending more than \$100,000:

- A Formal Bid Package must be developed by the Subrecipient. Competitive sealed bidding requires publicly solicited sealed bids and a firm-fixed-price lump sum or unit price contract that is awarded to the responsible bidder whose bid, conforming to all the material terms and conditions of the invitation for bids, is lowest in price.
- A “Notice of Invitation for Bids” must be published in a newspaper of general circulation and industry media likely to reach qualified proposers. The advertisement must be published for five (5) business days and the submittal period of the bid must be for a period of thirty (30) days. The advertisement shall include:
  - A brief, accurate description of the product wanted;
  - The full address of the place where complete sets of the bid documents may be obtained;
  - The non-refundable cost of each set of bid documents;
  - If a pre-bid conference is needed, the date, time and place and whether attendance is mandatory;
  - The full address of the place where the bids will be opened;
  - Instructions on packaging, identification and delivery of bids;
  - The date and time of day the bid opening and an admonition that late bids will not be accepted;
  - A brief statement of the bid, payment and performance bond requirements and the wage requirements; and
  - The Davis-Bacon Act General Wage Decision Number and State General Wage Determination Number applicable to the project.
- Subrecipient may issue an amendment to the Notice of Invitation for Bids:
  - The amendment must be mailed or faxed to those potential bidders who purchased sets of the bid documents prior to the adoption of the amendment;
  - The amendment may be provided together with sets of the bid documents that are purchased after its adoption; and
  - If an amendment will significantly affect the task of preparing responsive bids or bid amounts and is made within seven (7) calendar days of the bid opening date, Subrecipient must reschedule the bid opening date.
- Subrecipient may cancel the Notice of Invitation for Bids at any time:
  - Any potential bidders who have purchased sets of documents should be notified by phone or fax and their payment for the documents returned;

- Potential bidders who have not purchased sets of bid documents can be informed of the cancellation when they seek to purchase the documents;
- The reason for the cancellation must be supportable and documented in the bid file.
- The Invitation for Bids (IFB) must be part of a formal bid package.
- The advertisement and the IFB must be submitted to the designated Community Development Project Manager for review and approval prior to publication.
- Both the advertisement and the IFB statement that the project is subject to both State and federal prevailing wage laws and requirements. The following is recommended:
  - “The entire project is subject to State prevailing wage laws, pursuant to San Diego Municipal Code section 22.3019 and sections 1720 through 1861 and 3070–3098 of the California Labor Code, and all other City and State requirements that apply. In addition, since Project funding is being provided by federal Community Development Block Grant (CDBG), this project is also subject to Davis-Bacon federal prevailing wages, Section 3 of the Housing and Urban Development (HUD) Act [12 U.S.C. 1701u and CFR Part 135], and all other federal requirements that apply.”
- The IFB shall include, but not be limited to, the following:
  - Complete, adequate and realistic detailed specifications and pertinent attachments, as well as clearly defined items, work or services needed in order for the bidders to properly respond to the invitation;
  - The services, construction, repairs, maintenance, replacements or improvements to be accomplished, or supplies, materials, or equipment to be delivered, and when they must be provided, accomplished or delivered;
  - “Brand name or equal” descriptions that bidders must meet when such items are included in the solicitation;
  - Requirements the contractor must fulfill and all factors to be used in evaluating bids;
  - Notification of federal and City requirements for the project;
  - Special instructions and required documents/attachments required to be included in the bid package;
  - The complete mailing address of the place to which responses must be delivered, as well as whether mail, in person or courier may be used in addition to hand delivery by the proposer;
  - Instructions for packaging the response and for labeling the package;
  - The name and title and phone number of the staff person who is in charge of the IFB and to whom any questions must be directed; and
  - The date and time of the bid opening and admonition that late bids will not be accepted.
- Before the Bid Opening, Subrecipient shall ensure:
  - Bids are safeguarded, whereby Subrecipient will receive bids from bidders, mark them with the date and time of receipt and keep them together in a safe place;

- A registry of bids received is kept/maintained, whereby the form to be used to record the bid data at the opening may be used for this purpose;
- Bids remain sealed, whereby no bid is opened for any reason before the time and date specified in the invitation for bids;
- Before the opening of the bids, bidders may withdraw their bid for any reason; and
- Ten (10) days before the bid opening, Subrecipients are responsible for verifying that the Davis-Bacon Prevailing Wage Determination used in the advertisement remains valid and has not changed.
- At the Bid Opening:
  - In the place designated for the Bid Opening, on the date and prior to the time specified in the “Notice of Invitation for Bids,” Subrecipient’s authorized staff in charge of the Bid Opening should announce the bid opening and when they are closed;
  - Bids received after the close of bidding shall be returned unopened to the bidders with a letter explaining the reason for the return;
  - The bid registry shall be passed out to those present, based on a previously prepared Bid Registry Form with the names of the vendors whose bids are on the table;
  - Bids shall be opened and recorded on the registry one (1) at a time, in the order listed on the previously prepared Bid Registry Form;
  - Completeness of Bids shall be noted, whereby any missing or unacceptable document, bond, or other requirement of the Notice and the Bid Package will be verbally noted for the benefit of all who are present and such discrepancies will also be noted on the Bid Registry; and
  - When all bids have been opened, verbally noted and entered on the Bid Registry, Subrecipient’s authorized staff in charge of the Bid Opening shall make a statement such as:
    - “To conclude this bid opening, I note that the bids of \_\_\_\_\_ (names of bidders with no discrepancies) appear to be complete as submitted. The apparent low bidder is \_\_\_\_\_ (name of bidder with low, completed bid). The decision on an award will be announced within \_\_\_\_ days.”
    - Subrecipient’s authorized staff in charge of the Bid Opening should be non-committal about any protests or appeals made at the bid opening and say they will be taken under advisement.
- Withdrawal of a bid after bid opening will result in forfeiture of the 5 percent Bid Bond, if applicable, unless Subrecipient’s authorized staff in charge of the Bid Opening confirms that a substantial involuntary error was committed – such as a major mathematical error or omission of an important item.
- Correction of omissions or discrepancies that would, if uncorrected, cause a bid to be rejected will be accepted within a specific period of time following the bid opening—only when such discrepancies are not related to the substance of the bid. Corrections may not include such items as price, amount, quality or date of delivery.
- Complete documentation of the bidding process completed and the results must be maintained and reported to the designated Community



Development Project Manager. Copies of the bids received shall also be submitted to the designated Community Development Project Manager.

- A copy of the Agreement between Subrecipient and the subcontractor selected shall be submitted to the designated Community Development Project Manager for review and acceptance, prior to execution.
- A Pre-Construction Meeting shall be scheduled and conducted by Subrecipient after execution of an agreement between the Subrecipient and the subcontractor selected. During this meeting, the following shall be discussed/confirmed in coordination with Community Development Division staff that will be present: the Scope of Work; schedule of work; reporting requirements; prevailing wage requirements; reimbursement process; and other pertinent instructions or requirements. The designated Community Development Project Manager shall then issue a Notice to Proceed (NTP) after the Pre-Construction Meeting has been conducted and all required documentation have been submitted.

#### C. BONDING REQUIREMENTS

Federal regulations (2 CFR 200.325) require that construction or facility improvement projects exceeding \$150,000 obtain bid, performance and payment bonds. At minimum, this includes the following:

- A **bid guarantee** from each bidder equivalent to **5 percent of the bid price**. The “bid guarantee” must consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of the bid, execute a contract within the time specified for the bid amount.
- A **performance bond** on the part of the contractor for **100 percent of the contract price**. A “performance bond” is one executed in connection with a contract to secure/assure the fulfillment of all the contractor’s obligations under the contract.
- A **payment bond** on the part of the contractor for **100 percent of the contract price**. A “payment bond” is one executed in connection with a contract to assure payment as required by law of all persons supplying labor and material in the execution of the work provided for in the contract.

**For nonprofit subrecipients**, a subrecipient may follow its own policies for bid guarantees, performance bonds, and payment bonds for contracts or subcontracts awarded for construction or facility improvement **equal to or less than \$150,000**.

- For both **nonprofit subrecipients** and **governmental subrecipients**, however, the Subrecipient Agreement may mandate compliance with the City’s bid guarantee, bonding, and insurance requirements in instances of contracts or subcontracts for construction or facility improvements with a value equal to or less than \$150,000.

### SECTION III PROGRAM PROCEDURES

Subrecipients are required to maintain a system that accurately accounts for or fully documents all program activities undertaken with CDBG or ESG funds. Subrecipients must comply with the following program procedures to the maximum extent feasible.

#### A. REPORTING REQUIREMENTS

Subrecipients shall submit the following documents and reports to the City at the times indicated, and in the format prescribed by the Community Development Division. Deviations from this requirement must be approved by the Community Development Division Office. Timeliness and accuracy will be included in the performance indicator considerations.

##### 1. Administrative File Requirements

Prior to the beginning of each fiscal year, Subrecipients shall submit to the City a copy of its insurance coverage, a list of additional funding sources, and other documents required by the City. Subrecipients are provided with a list of all the documents required to be submitted during the application process or agreement execution process.

##### 2. Monthly Programmatic Reports

Subrecipients shall maintain records on clients as specified in the Scope of Work included in the executed Agreement, as well as other records necessary to document all services provided or activities conducted. Using the primary and secondary records (defined in Section III, C.4.), Subrecipients shall submit a required Monthly Programmatic Report (MPR) for each applicable reporting period to the Economic Development Grants Management System (ED Grants) by the 15<sup>th</sup> day of each month after each reporting period (irrespective of the day when the 15<sup>th</sup> falls). The purpose of this report is to provide confirmation of project activities completed, status of project progress in meeting the objectives and goals identified in the Scope of Work, and to justify the reimbursement of funds.

- a. The required MPR information is based on the approved activity category (i.e., Public Services, Public Facility Improvements, Microenterprise Assistance, Residential Rehabilitation, etc.) and the Scope of Work included in the executed Agreement. In addition, Subrecipients may also be required to report the following Client or Household Demographics information as applicable: a) total number of unduplicated new clients/households served; b) of the unduplicated new clients/households served, total number of new clients/households that are female head of household as defined on page 51; c) ethnicity and race as defined in pages 51; d) family income levels based on the most current HUD Income Limits; and e) identification of clients qualified as presumed low-income as defined on page 52.
- b. For construction projects, colored photos demonstrating the construction activities completed during the reporting period must also be included in the MPR submittal, as applicable.
- c. All MPR submittals are subject to review, and acceptance of that information is tentative pending verification and approval by the Community Development Project Manager.



- d. On a monthly basis, the Community Development Project Manager will:
  - Determine if the reports are submitted on a timely basis (on or before the 15<sup>th</sup> day of each month);
  - Determine if reports are completed in a satisfactory manner (no issues with totals reported or missing information);
  - Determine if the Subrecipient is significantly behind in the completion of benchmark schedules or the provision of services listed in the executed Agreement; and
  - Determine whether technical assistance will need to be provided to Subrecipient staff based on consistent issues identified.
- e. The Community Development Project Manager shall reject the MPR submittal in ED Grants if any non-compliance issues are identified during the review.
- f. ED Grants will not allow the submittal of a Request for Reimbursement until the required MPR is submitted. The City reserves the right to hold the processing of reimbursements, until the MPR is approved by the Community Development Project Manager.

3. Certified Payroll Reports (Construction Projects Only)

In addition to the MPRs, construction projects required to comply with federal and state labor standards must submit weekly certified payroll documents that comply with both federal and state requirements to the City. The required federal and state Statement of Compliance forms must be completed and signed by owner of the prime contractor/subcontractor firm. Two (2) original sets of the federal and State Statement of Compliance forms must be included in the weekly submittal by the prime contractor to Subrecipient from the start of the construction period (Notice to Proceed issuance date) through the completion of construction period (as listed on the Notice of Completion). The weekly reports are required to be submitted even when no construction activities were completed on the project. Subrecipient shall ensure that a complete copy of the weekly reports, including the required original copy of the federal and State Statement of Compliance, are submitted to the City within ten (10) calendar days after the payroll ending date. The reports shall be matched to the relevant prevailing wage decision issued by the U.S. Department of Labor or the State Department of Industrial Relations, as applicable. The items reviewed include:

- The correct classification of workers;
- A comparison between the classification and the wage determination to determine whether the rate of pay is at least equal to the rate required by the determination;
- A review to ensure that work by an employee in excess of forty (40) hours per week is being compensated for at rates not less than one and one-half (1.5) times the basic rate of pay;
- Review of deductions for any non-permissible deductions;
- The Statement of Compliance has an original signature by the owner; and
- The Payroll and Statement of Compliance are originals.

Common problems might include job classifications inconsistent with the wage decision, mistakes on payroll calculations, unsigned deduction forms, and missing payroll records for weeks not worked on the project. Less frequent but more serious problems include unpaid overtime, unauthorized deductions, and job classifications not on the wage decision. Subrecipient shall be responsible for

requesting corrections on any errors identified. The prime contractor or subcontractors may be requested to submit new original forms, submit additional information or documentation, or initiate restitution procedures if workers have been underpaid.

The payrolls should be reviewed by the prime contractor to ensure that there are no discrepancies or underpayments prior. The prime contractor is responsible for the full compliance of all subcontractors on the project and will be held accountable for any wage restitution that may be necessary. This includes restitution for underpayments and, potentially, liquidated damages that may be assessed for overtime violations.

4. Year-End Programmatic Reports

Subrecipients shall submit year-end reports at the close of each fiscal year, regardless of the start and end dates listed in the executed Agreement. These reports shall provide information covering each applicable fiscal year period (July 1<sup>st</sup> through June 30<sup>th</sup>). For FY 2018, the year-end reports shall be submitted by July 30, 2018. In the event of a termination date after fiscal year-end date of June 30<sup>th</sup>, final year-end reports shall also be submitted to the City within thirty (30) calendar days of such termination. Year-end reports shall be reviewed against the monthly reports submitted by the Subrecipient for accuracy and consistency.

- Year-End Programmatic Report: Subrecipients shall submit a narrative report that summarizes the CDBG/ESG activities conducted during the term of the executed Agreement and a complete description of the low/mod client benefit that resulted from those activities. It shall also summarize any delays or challenges the Subrecipient experienced in conducting CDBG/ESG activities, whether or not the Subrecipient feels it attained all goals and objectives of the project and whether there are procedures or actions that will be undertaken in the future to increase the effectiveness of the project.
- For construction projects, the Minority-Owned Business and Women-Owned Business Information Form shall be submitted, as applicable.
- For Housing Rehabilitation projects, documentation of independent inspections conducted by a third party professional after completion of all housing rehabilitation activities shall be submitted.
- Year-end project photos pre-authorized for publication in City publications, reports, and materials shall be submitted.
- The Community Development Project Manager may also require additional information or confirmations, if deemed necessary to ensure all reporting requirements have been met.
- The Community Development Project Manager shall immediately notify Subrecipient staff of any non-compliance issues identified during the review of Year-End Programmatic Reports.

5. As-Occurring Reports

Changes to any of the documents submitted in the initial project report shall be submitted to the Community Development Project Manager at the time the changes occur. The Community Development Project Manager may also request for additional reports or documents as deemed necessary during the Agreement period.

**B. GENERAL RECORDS**

Maintenance of adequate documentation for CDBG-funded or ESG-funded activities is critical to the effectiveness and overall performance of a program. Adequate documentation includes knowing: 1) what information needs to be collected and why; 2) when that information should be collected (and how often); 3) how the information should be acquired, organized, and stored; 4) how the information should be reported; and 5) the retention period for records.

Subrecipients shall maintain, and require its subcontractors to maintain, all administrative and program records required in connection with the provision of activities/services required by the Scope of Work of the executed Agreement.

Such records shall include but not limited to:

- Records providing a full description of each activity undertaken;
- Records demonstrating that each activity undertaken meets the National Objective of the CDBG Program that is listed in the executed Agreement;
- Records required to determine the eligibility of activities;
- Records required to document the acquisition, improvement, use or disposition of real property acquired or improved with CDBG funds;
- Records documenting compliance with the fair housing, Section 504, and equal opportunity components of the CDBG Program;
- Other records necessary to document compliance with Subpart K of 24 CFR 570.

Subrecipients may maintain any additional records that it deems to be appropriate. However, such additional records should not replace any of the Community Development Division required records.

**C. PROGRAM RECORDS**

Subrecipients shall maintain project data collection systems that clearly demonstrate the Subrecipient's capability of having project activities and services tracked and validated. Subrecipients are required to maintain verifiable records on clients and client services. Program records maintained must document compliance with the CDBG/ESG eligibility criteria specified by HUD guidelines. The City, HUD, or other duly authorized government officials shall have access to any Subrecipient documents or records that are pertinent to the CDBG/ESG Agreement. The following represents specific records to be maintained for various types of projects:

**1. Construction Projects**

For construction projects, Subrecipient project files shall include, but not be limited to:

- a. If leased property, documentation of owner's approval of the proposed improvements;
- b. Bid documents, including documentation of contractor solicitation and basis for contractor selection and award cost;
- c. Evidence that contracts were not awarded to individuals or firms that have been suspended or debarred from participation in both federal and State programs;
- d. Permits, as applicable;
- e. Compliance with Lead-Based Paint requirements, as applicable;
- f. DOL and DIR wage determinations for the project [NOTE: An updated DOL wage determination must be utilized if construction activities are not implemented within ninety (90) days of award];

- g. Certified payroll records showing name, address, social security number, and work classification of each employee or owner performing work, including the straight time and overtime hours worked each day and each week, the fringe benefits, and the actual per diem wage paid to each owner, journey person, apprentice worker or other employee hired for the project (**must be numbered sequentially and the final one marked “FINAL”**);
  - h. Evidence that weekly certified payroll records were checked against the wage determination rates, employees time cards, payroll records and that the employee received payment at the prevailing wage rate for all hours worked, including overtime;
  - i. Payroll deduction authorizations signed by the employee;
  - j. Records of construction worker interviews;
  - k. Evidence of any violations with supporting documentation;
  - l. Evidence of the resolution of any violations;
  - m. Copies of lien releases;
  - n. Completed volunteer certification forms, if applicable;
  - o. Evidence that required posters were on site;
  - p. Progress and final inspections, including documentation of the Subrecipient’s periodic onsite inspections and final inspection;
  - q. Approved change orders [NOTE: Change orders must be approved by the Community Development Project Manager prior to execution, as applicable to CDBG reimbursements];
  - r. All correspondence related to construction;
  - s. Records of disbursements made for completed and approved work (Subrecipient should ensure that data in the project file agrees with financial records);
  - t. Pre- and post-construction photos of CDBG-funded work completed;
  - u. Notice to Proceed (original copy issued by the City to Subrecipient);
  - v. Notice of Completion (original copy issued by the City to Subrecipient); and
  - w. Annual documentation (for a minimum period of five (5) years after project closeout) that the use of the property (including the beneficiaries of such use) for which the improvement was made had not been changed.
2. Housing Rehabilitation Projects  
For housing rehabilitation activities conducted, Subrecipient project files shall include, but not be limited to:
- a. Procedures for determining the households to be assisted through the approved project, as applicable;
  - b. Identification of property, property owner(s), and renter(s), as applicable;
  - c. Intake date;
  - d. Owner/Renter name, address, phone number;
  - e. Owner/Renter family size, head of household status, race and ethnicity;
  - f. Documentation of required Low/Mod income verification for households prior to assistance being approved and provided;
  - g. Approved application for program;
  - h. Agreement between Subrecipient and Owner (including five [5] -year maintenance requirement);
  - i. If renter-occupied household, agreement between Subrecipient, program participant and owner/landlord (with number of dwelling units in each multifamily structure and number of LMI units included, as well as evidence of owner approval of work to be completed);

- j. If renter-occupied household, documentation of rent charged before and after completion of work;
  - k. Initial and final inspection reports;
  - l. Work specification and cost estimates (detailed description of work to be completed with CDBG funds for each household served, including location of the work to be performed such as bedroom, kitchen, bathroom, etc.);
  - m. Owner approval of payments, change orders, work completed;
  - n. Compliance with Lead-Based Paint requirements as applicable;
  - o. Permits and other approvals as applicable;
  - p. Relocation documentation as applicable:
    - (1) Identification of person, racial/ethnic group classification, age and sex of all members of household, and property;
    - (2) General Information Notice (Notice of Nondisplacement or Notice of Eligibility for Relocation Assistance) and evidence of receipt;
    - (3) Description of why the relocation took place;
    - (4) Documentation of the replacement needs assessment;
    - (5) Documentation of comparable replacement dwellings;
    - (6) Identification of referrals to replacement properties, date of referral, rent/utility costs, date of availability, reason(s) for declining referral (as applicable);
    - (7) Temporary Relocation Notice;
    - (8) Copy of 90-Day Notice to Vacate and evidence of receipt;
    - (9) Copy of 30-Day Notice to Vacate and evidence of receipt;
    - (10) Copy of each relocation claim and supporting documentation;
    - (11) Evidence of verification of claim;
    - (12) Copies of cancelled checks;
    - (13) Evidence and dates of personal contacts and description of services provided;
    - (14) Acknowledgement of payments and services rendered;
    - (15) Appeal (if filed) and Disposition;
  - q. Completion certificates;
  - r. Copy of contractor and equipment warranties provided to owner;
  - s. If federal and state prevailing wage requirements apply:
    - (1) federal and state wage determinations;
    - (2) certified payroll records (see page 17);
    - (3) payroll deduction authorizations;
    - (4) employee field interviews;
  - t. Documentation of all individuals completing the work, separating labor charged to the CDBG Agreement and the labor not charged to the CDBG Agreement;
  - u. Documentation of independent inspections conducted by a third party professional after completion of all housing rehabilitation activities; and
  - v. Pre- and post-construction photos of CDBG-funded work completed.
3. Direct Financial Assistance to Homebuyers Projects  
 For direct financial assistance activities conducted as housing assistance, Subrecipient project files shall include, but not be limited to:
- a. Procedures for determining the households to be assisted through the approved project;
  - b. Documentation of required low/moderate-income verification for households prior to CDBG assistance being approved and provided;
  - c. Detailed description of the actual project activities conducted;

- d. Date, type, and method of all client contacts and contacts made on behalf of the client;
  - e. Loan documents, as applicable; and
  - f. Information regarding the total number of grants or loans executed, including type of loan (amortized or deferred), loan amount, average interest rate, and amortization period as applicable.
4. Direct Client Services Projects
- Subrecipients that provide direct individual client services shall keep a record on each client served by the project under the Agreement. The actual design of the project data system is at the discretion of the Subrecipient. However, the project data system shall include the following at the minimum:
- a. Primary Records  
Records shall be maintained by the project to record services provided directly to, or on behalf of, the project client. Primary records are typically the client case files. All client case files maintained by the project shall be clearly identified as “CDBG Files” or “ESG Files” and must not be reported to any other funding source with regard to the services listed in the City Agreement. All projects providing direct client/household services shall have primary records containing the following information on **all** clients receiving services:
    - (1) Client’s name and identification number assigned by project;
    - (2) Client’s intake date;
    - (3) Referring Subrecipient, when applicable;
    - (4) Client’s parent’s name, when applicable;
    - (5) Client’s address and phone number;
    - (6) Client’s household size and head of household status;
    - (7) Client’s gender, age and date of birth;
    - (8) Client’s race and ethnicity;
    - (9) Client’s household annual or monthly income  
[NOTE: Income verification and documentation is required for Housing Rehabilitation, Microenterprise Assistance, and Direct Financial Assistance to Homebuyers projects. Non-low/mod households and clients are not eligible to be assisted by these projects];
    - (10) Problem statement (reason for project intake);
    - (11) Description, frequency and length of proposed services to be provided;
    - (12) Description of actual services provided (date, type, approximate length of each contact and method of all client contacts or contacts made on behalf of the client);
    - (13) Reassessment of client’s problem (halfway through services) to determine how well client is responding to services when applicable;
    - (14) Termination date;
    - (15) Reason for termination;
    - (16) Planned follow-up date(s); and
    - (17) Actual follow-up date(s) and outcome of follow-up contact (should be attempted on all clients after termination of client services, unless otherwise stipulated in the Scope of Services).
  - b. Secondary Records  
Examples are project logs, sign-in/attendance sheets, appointment book, etc. Subrecipients who do not provide direct services to individual clients



shall maintain secondary records to document the services provided to the targeted population. Subrecipients providing services in group settings shall also maintain secondary records. In addition, written records documenting project volunteer activities shall be maintained as secondary records.

5. Microenterprise Assistance Projects

In addition to the items listed in 4.a. and 4.b., for microenterprise assistance activities conducted, Subrecipient project files shall also include, but not be limited to:

- a. Documentation of required low/moderate-income verification for clients prior to CDBG assistance being approved and provided;
- b. Number new businesses assisted;
- c. Number of existing businesses assisted;
- d. Of the number of existing businesses assisted, number of businesses expanding;
- e. Of the number of existing businesses assisted, number of businesses relocating;
- f. Number of businesses assisted that provide goods or services to meet the needs of a service area, neighborhood, or community;
- g. Name of business, number of employees of each microenterprise business assisted;
- h. Number of jobs created;
- i. Number of jobs retained; and
- j. Annual status of businesses assisted for a minimum of five (5) years after termination of services.

6. Special Economic Development Projects

Program record and data collection requirements for special economic development projects will be determined as needed in accordance with applicable regulations and Community Development Division oversight needs.

7. ESG Projects

Subrecipients utilizing ESG funds must have written policies and procedures that:

- Require intake staff to document:
  - An intake/screening for eligibility for ALL persons seeking assistance
  - Evidence relied upon to establish and verify Homeless status
- Be consistent with recordkeeping requirements

Refer to 24 CFR 576.101 regarding specific requirements regarding the evaluation of program participant eligibility and needs. Re-evaluations are required for program participants receiving Rapid Re-Housing assistance at least once annually. 24 CFR 576.500 describes recordkeeping and reporting requirements regarding homeless status, at risk of homelessness status, determinations of ineligibility, annual income, program participant records, centralized or coordinated assessment systems and procedures, rental assistance agreements and payments, utility allowance, shelter and housing standards, emergency shelter facilities, services and assistance provided, coordination with Continuum of Care and other programs, HMIS, matching, conflicts of interest, homeless participation, faith-based activities, other federal requirements, financial records, subrecipients and contractors, other records specified by HUD, and confidentiality. For Rapid Re-Housing programs, the documents required to be maintained include, but is not limited to, the following:

- Initial Eligibility

- Termination Policy and Appeal Process
  - Termination and Appeals
  - Program participant plans to assist them in retaining permanent housing after ESG assistance ends
  - Annual Income
  - Compliance with Case management Requirements
  - Compliance with Shelter and Housing Standards
  - Rental Assistance Agreements and Payments – The records must include copies of all leases and rental assistance, documentation of payment made to owners for the provision of rental assistance, and supporting documentation for these payments, including dates of occupancy by program participants. Each program participant receiving rental assistance must have a legally binding, written lease for the rental unit, unless the rental assistance is provided solely for rental arrears. The lease must be between the program participant and the owner, or their agent (such as a property manager). See 24 CFR 576.106 for specific requirements. Assistance may only be provided in cases where a rental assistance agreement is in place between the Subrecipient/Subcontractor and owner, **and** a lease agreement is in place between the program participant and owner.
  - Utility Payments – Documentation of the program participant’s (or a member of the same household) account in his or her name with a utility company or proof of responsibility to make utility (gas, electric, water, sewage) payments
8. Other Projects  
For other projects in which client records are not required, Subrecipients shall maintain documentation to support activities and services provided to the target population as specified/identified in the executed Agreement.

**All Program Records shall be subject to scheduled and unscheduled reviews by Community Development Division staff, and acceptance of information submitted in monthly reports is tentative pending verification by the review of project records.**

E. SUBRECIPIENT PROGRAM COMPLIANCE

Subrecipients shall ensure that assessments/evaluations of program effectiveness, efficiency, internal control, and compliance with the terms of the executed Agreement (including CDBG Program, ESG Program, federal, and City requirements) are conducted with regard to CDBG or ESG project activities implemented and completed.



## SECTION IV FISCAL PROCEDURES

Subrecipients must constantly monitor their performance to ensure that HUD's timeliness ratio is met and budgeted expenditures are being effectively used to complete all projects. This is monitored by the Community Development Division (CDD) as workshops are conducted, Agreements are executed, and requests for reimbursement are processed. In addition, all activities must be conducted in compliance with the applicable federal and City requirements.

### A. REQUEST FOR REIMBURSEMENT (RFR) PROCESS

All Subrecipients must attend the FY 2018 CDBG Reporting Requirements Workshop session. Subrecipients are required to submit monthly RFRs. Timeliness and accuracy will be included in the performance indicator considerations.

#### 1. OVERVIEW

- a) All Subrecipients must complete monthly RFR submittals in ED Grants by the 15<sup>th</sup> day of each month, after each reporting period, irrespective of the day when the 15<sup>th</sup> falls. If there are no expenditures to report, Subrecipients will still be required to submit an RFR verifying that there is no claim for the reporting period.
- b) Applicable mandatory attachments must also be uploaded to ED Grants to complete the monthly RFR submittals, even if there are no expenditures.
- c) The June Supplemental is to resubmit any June RFR disallowed amounts or to report personnel expenses covering the last pay period of June. There will not be an opportunity to resubmit disallowed amounts noted with the June supplemental RFR. This will be the final payment.
- d) If all supporting documentation is submitted properly in the RFR submittal, Community Development Division staff will attempt to process within thirty (30) calendar days of receipt.
- e) RFR submittals that are not submitted by the designated deadline may be subject to a longer processing time.
- f) Any delay in the approval of the MPR for that reporting period will result in payment being held, until approval is confirmed.

#### 2. SUBMITTAL REQUIREMENTS

Only supporting documents for eligible expenditures should be uploaded into ED Grants.

A. **Overview Tab** is to provide the general information regarding the RFR, as well as Agency Approval. Select the Edit button, enter the required data listed below, then select the Save button.

- 1) Vendor Invoice Number Field — Enter the invoice number for the Request for Reimbursement. The Subrecipient must ensure that a **unique identifier** is used each month. For example: CDBGMar18, ESGApr18, GFMay18. The City's accounting system cannot process the same invoice number twice.
- 2) Is this a final Payment? — Select the appropriate response. Selecting "Yes" locks the project from submitting any future RFRs for the project's Agreement period.
- 3) Includes resubmission of Disallowed Amounts? — Check the box if the RFR includes disallowed expenditures from the prior reporting period.
- 4) If Yes, Please Explain — Provide detailed explanation of the disallowed amounts included in the RFR submittal.

- 5) Agree — Check box to indicate acceptance of the Agency Approval language.
  - B. **Financials Tab** is to claim reimbursement of eligible expenditures. These expenditures must be based on the executed Agreement budget. The amounts requested must represent expenditures paid by the Subrecipient during the reporting period or for any disallowed amounts from the prior reporting period. Expenditures must be claimed in the reporting period that they are **paid**. For example, a payment of an April invoice dated 04/15/2018 that was made in May with a check dated 05/02/18, should be reported in the May RFR, not April. The tab includes listing by budget category:
    - 1) Awarded Amount.
    - 2) Remaining Amount.
    - 3) Requested Amount.
    - 4) Disallowed Amount.
    - 5) Reason for Disallowance.
    - 6) Actions button — select this button to enter Requested Amount for the budget category with Awarded Amount and Remaining Amount. ED Grants will only allow expenditures for budget categories with Awarded Amount listed and sufficient Remaining Amount available. Select Save button.
  - C. **Attachments Tab** is for attaching required documents to support the eligibility of the expenditure. Invoices, payroll documents, and other supporting documents, such as copies of signed canceled checks or bank statements with highlights of cleared check numbers, are required to support all Personnel Expense (PE) and Non-Personnel Expense (NPE) claims. Scan supporting documentation in one (1) PDF and attach to the corresponding budget category. The tab includes the following listing:
    - 1) City Form Download — is the City template that is required to be included in the attachment for each budget category claim.
    - 2) City Form Description — provides the description of the documents required to be included in the attachment.
    - 3) City Form Required? — details if the form is Mandatory or Optional.
    - 4) Subrecipient Document Attached? — select appropriate option in Attach window field.
    - 5) Subrecipient Comment — displays description entered in Attach window Comments field.
    - 6) Subrecipient Document Link — displays link attached.
    - 7) Actions button — select button to attach PDF, JPG, or PNG document from computer or workspace.
  - D. Final step of the RFR Process is that an email notification will be sent by ED Grants to the Subrecipient's ED Grants Primary Representative that the payment has been processed.
3. **RFR FORMS**
- Due to limited space, only supporting documents for eligible expenditures should be included in the packet.
- A. **Personnel Expense Schedule (PES) Form** provides a listing of personnel expenditures paid by the Subrecipient for the approved project. The Personnel Expense Schedule should cover costs for employee compensation, such as salaries, wages, federal income tax, Medicare, SUI, fringe benefits, flex credit, medical, pension plan vacation, sick, or military leave and overtime. PES should include:
    - 1) Subrecipient staff names and position titles that match the executed Agreement budget;

- 2) Pay periods, check/direct deposit payment date, check number or indicate direct deposit payment, total number of hours and total gross amount that match the payroll document for the appropriate reporting period;
  - 3) The total number of hours and gross amount claimed to the funding source;
  - 4) Total Salaries and Wages Calculation all pay periods;
  - 5) Any additional explanation of personnel expense in the Comments section, as part of the Flexible Budget Rule, Subrecipient can add or change positions as needed, however still limited to total PE budget. Also any changes to Subrecipient staff must be explained in the Comments section of the PES;
  - 6) Submittal of corresponding timesheets signed by Subrecipient staff and supervisor (Head of Subrecipient timecard should be signed by a Board Member) or online timecard printout and number of hours worked match the payroll document; and
  - 7) Payroll document that lists Subrecipient staff name, the number of hours worked (indicate if salary position), and total gross pay of each staff. The distribution of salaries and wages to various awards must be supported by personnel activity reports. These reports will be reviewed during fiscal onsite monitoring visits.
- B. **Fringe Benefit Payment Schedule (FBS) Form** provides a listing of fringe benefit expenditures paid by the Subrecipient for the approved project. The Fringe Benefit Payment Schedule should cover costs of employer contributions or expenses for benefits, such as FICA, SUI, social security, workers' compensation insurance, LTD insurance, employee insurance (e.g., medical, vision, and life), and pension plan costs. Claims should be based on the Date Paid for the Fringe Benefit Payment, not time of coverage. Only exception is prepaid and prorated expenditures.
- 1) Use the List of Expenditures Form as a cover sheet to list each fringe benefit amount claimed. This form should be used as the cover sheet of the Fringe Benefit Schedule.
  - 2) FBS Payroll Taxes should include:
    - a. The name of the employer-portion of payroll tax claimed that match the executed A budget and amount paid and amount claimed for the appropriate reporting period that match payroll document submitted.
    - b. The payroll document page that lists the payroll taxes and the check number/ACH and date paid.
    - c. Any additional explanation of payroll taxes should be included in the Explanatory Comments section.
    - d. Submittal of copy of payroll document and/or invoice and proof of payment.
  - 3) FBS Additional Fringe Benefit Payments should include:
    - a. The name of the type of employer-portion benefit, such as medical, dental, vision, that matches the executed contract budget and vendor name.
    - b. Indicate if payment is prepaid, date of coverage, prepaid prorated calculation and total amount paid for the month, check number and date paid.
    - c. Subrecipient staff name listed matches PES for fringe benefit claimed, total amount claimed and appropriate reporting period.
    - d. Any additional explanation of fringe benefit expenses should be included in the Explanatory Comments section.
    - e. Submittal of all pages of the invoice and verification of payment in full with a copy of canceled check or check number listed in bank statement.
  - 4) The distribution of salaries and wages to various funding sources must be supported by personnel activity reports. These reports will be reviewed during fiscal onsite monitoring visits.

- C. **Federally Approved Indirect Cost Rate (FAIC) Form** provides calculation of FAIC rate based on total direct cost. This form is only applicable for Subrecipients that have Federally Approved Indirect Cost Rates. All copies of the FAIC document submitted shall be subject to review and acceptance of the documents shall be tentative pending verification by Community Development Division staff.
- 1) The maximum allowable claim for FAIC shall not exceed the percentage amount listed in the FAIC document.
  - 2) The document includes a formula calculation of the total direct costs of the month multiplied by the approved FAIC rate.
- D. **List of Expenditures Form** serves as a cover sheet for each group of invoices per line item claimed, except for Salaries and Wages. The following information shall be required for each invoice submitted by line item title:
- 1) vendor name and description of item purchased matches executed contract budget,
  - 2) check number or ACH info,
  - 3) date paid,
  - 4) amount paid,
  - 5) amount claimed, and
  - 6) any necessary adjustments should be explained in the space made available at the bottom of the List of Expenditures Form.
  - 7) All original documentation should be maintained by the Subrecipient.
  - 8) Supporting documentation should include, but not limited to the following:
    - a. Copy of the invoice should be legible and unaltered.
    - b. An invoice that is an annual or quarterly payment, should be prorated to be claimed on a monthly basis within the executed contract period. An explanation of this transaction should be included in the space provided on the List of Expenditures form.
    - c. Expenditures claimed should be limited to the appropriate reporting period when the expenditure was paid, unless eligible for resubmission of disallowance from the prior reporting period.
    - d. Subrecipient shall not claim expenditures, until actual payment has been made, regardless of when the service or merchandise is received during the executed contract period.
    - e. Proof of payment is supported by: 1) a copy of the canceled check or 2) the check number highlighted in the bank statement or 3) check information listed on the Check Reconciliation form.
    - f. ACH payments must include the copy of the bank transfer or copy of the Subrecipient's bank statement with the transaction highlighted.
    - g. Petty cash transactions must include a copy of the petty cash voucher signed by the person receiving the petty cash and the authorized approver for petty cash, as well as copies of all corresponding receipts.
- E. **Client-Generated Income Form** is for the Subrecipient to detail all transactions completed using client generated income collected during the executed contract period. The following information should be provided:
- 1) The total amount of client generated income collected to date.
  - 2) The total amount of client-generated income collected during the executed contract period.
  - 3) The cumulative expenditures to date using client-generated income.
  - 4) The line item budget using client-generated income for the RFR submittal reporting period.
  - 5) Signature of Subrecipient official certifying the report.

- F. **Bank Statement and Check Reconciliation form** is to submit proof of bank clearance by providing either: 1) all pages of the bank statement listing the check numbers that were reported in the current RFR submittal **OR** 2) a copy of the canceled check. In addition, the Subrecipient shall submit a Check Reconciliation form to identify all check numbers reported to the City that have not been cleared for payment by the bank. The Check Reconciliation Form should include the following:
- 1) a listing of all line items,
  - 2) check number,
  - 3) check date, and
  - 4) amount of the check for each invoice.
  - 5) Submission should include:
    - a. Check numbers from the prior RFR submittal's Check Reconciliation Form that still haven't cleared the bank, and
    - b. Check numbers from current RFR submittal to be verified by the next month's bank statement.
  - 6) Any check that hasn't been processed within two (2) months of the RFR submittal will be disallowed from future RFR submittals.
- G. **Resubmission of Disallowed Amounts** allows the Subrecipient to resubmit a claim for expenditures that were disallowed in the prior RFR submittal. For example, if an expenditure is disallowed in March, then all appropriate supporting documentation must be submitted in the April RFR submittal.
- 1) Disallowances claimed beyond the disallowance resubmission period of one (1) month, will not be considered.
  - 2) A Subrecipient cannot be reimbursed for more than the original amount disallowed.
  - 3) The Supplemental June RFR will be the final RFR accepted. If there is a disallowance for this RFR, there will be no opportunity to resubmit.
  - 4) Resubmission should include:
    - a. Expenditure claim that matches the RFR Disallowances from the prior reporting period.
    - b. Expenditure claim that is eligible to be reimbursed.
    - c. Supporting documentation for the disallowed amount.
- H. **RFR Disallowance Entries** allows Community Development Division staff to notify the Subrecipient of disallowances made for the current RFR reporting period. This includes the following:
- 1) Budget category and expenditure amount disallowed.
  - 2) Reasons for disallowances include, but are not limited to, the following:
    - a. Ineligible Expenditure
    - b. Calculation Error
    - c. Missing Payment Clearance
    - d. Missing Documentation
    - e. Document Not Readable
    - f. Documentation Does Not Support RFR
    - g. Same Invoice Claimed More Than Once
    - h. Missing Signature
    - i. Signature Not On File
    - j. Expenditure More Than Two (2) Months Old
    - k. Incorrect Reporting Period
    - l. Exemption/Approval Not On File
  - 3) Explanation of line items designated as eligible for resubmission are provided. Any resubmission of these amounts must be included in the next month's RFR



submittal (e.g., if the RFR Disallowance Report is for the month of October Payment Period, any disallowed amount deemed eligible for resubmission must be added to the total amounts claimed for the month of November Payment Period).

#### 4. SUPPORTING DOCUMENTATION

All RFR submittals and accounting records must be backed up by supporting documentation. The Subrecipient is responsible for maintaining all original supporting documentation and making it readily available for review by Community Development Division staff, HUD, or other authorized personnel at all times. The supporting documentation must explain the basis of the costs paid, as well as show the actual dates and amount of expenditures. Subrecipients should ensure that only relevant supporting documentation is submitted. Examples of acceptable supporting documentation are listed below.

- A. Copy of dated timesheets signed by the employee and supervisor or print out of online timecard approval.
- B. Copy of payroll service document with date salary paid and total gross salary amount and employee-portion of fringe benefit payment.
- C. Copy of payroll service document with employer-portion of fringe benefit payment.
- D. Legible copy of all pages of invoices. A significant number of missing pages may result in a claim being disallowed.
- E. Mileage claims must include a copy of the mileage report with number of miles claimed, cost per mile and calculation for total amount claimed. If applicable, also include receipts and proof of payment information for gas purchases for Subrecipient vehicles.
- F. Bus/trolley pass claims must include a copy of list of clients that received the bus/trolley pass. Expense cannot be claimed until passes have been disbursed to clients.
- G. Publications/printing charges should include copy of item published/printed with CDBG funding recognition language included on item. The reference shall be worded as follows: "This project is funded in whole or in part with Community Development Block Grant (CDBG) Program funds provided by the U.S. Department of Housing and Urban Development (HUD) to the City of San Diego."
- H. Invoices for professional consultants or subcontractors claims must list the number of hours charged and a detailed description of work completed.
- I. Prepaid and prorated expenditures must include all pages of the invoice that includes the coverage period, proof of payment and calculation of prorated monthly expense included in the related comment section.
- J. Proof of payment must be provided with the check number listed on the bank statement OR a copy of the canceled check OR a proof of electronic fund transfer.

#### B. GENERAL FISCAL POLICIES AND PROCEDURES

##### 1. FUND ADVANCES PROHIBITED

The Community Development Division cannot advance any funds to any Subrecipient approved for funding, because the Community Development Division cannot draw from the federal government, until there is eligible supportive documentation and statistical/programmatic reports supporting expenditures. Subrecipients may not charge expenditures to a credit card or borrow the funds and expect the Community Development Division to reimburse expenses based on the credit card statement or to the person/institute loaning the funds. The Community Development Division cannot pay any Subrecipient's approved vendor directly as the Agreement is executed with only

the Subrecipient. Subrecipients are also prohibited from advancing or loaning funds received from the Community Development Division to any individual or organization for any purpose, project, or activity.

2. BUDGET INCREASE PROHIBITED

Overall project budget increases are not allowed. Appropriations of funding and reprogramming of unused funding of prior years is conducted per the Community Development Division timeline each year. Each allocation of funding by City Council is considered a separate project with separate scope and budget. Banking of funds to create a larger funding amount for the project is not allowed due to the timeliness rules and regulations.

3. BUDGET AMENDMENTS

Budget amendment requests, when applicable, are to be submitted through ED Grants. This would apply when expenditures exceed the budget categories. The following should be noted:

- a. This amendment must not result in a change to the approved project Scope of Work.
- b. Subrecipient must be able to demonstrate how the proposed budget amendment is necessary to ensure completion of activities stated in the Scope of Services/Scope of Work.
- c. New budget line items are not allowed to be included in the budget amendment request, unless the Subrecipient can demonstrate that funds will not be fully expended without the new budget line item, contingent upon approval by the Project Manager.
- d. The total of the category PE and the category NPE cannot exceed the total budget for each category.
- e. The overages cannot cross the categories of PE, NPE, and Federally Approved Indirect Cost Rate (FAIC).
- f. Subrecipient can add or change positions within the PE category without a budget amendment.

4. ELIGIBLE AND INELIGIBLE EXPENDITURES

Subrecipients should review the *Playing by the Rules Handbook* (2005) and federal regulations for guidance and determination of eligible and ineligible expenditures. It is not possible for the Community Development Division Office to develop a detailed list of all eligible and ineligible expenditures for all CDBG-funded and ESG-funded projects. Due to the various rules and regulations adhered to by the Community Development Division Office, and the diversity of services that are funded, expenditures that may be eligible for one project may not be eligible for another. However, the following basic guidelines are applicable to **all** projects and shall serve to facilitate decisions in regard to the eligibility of expenditures. In the event of uncertainties, **anticipated** expenditures should be referred to the Economic Development Department Fiscal Operations for decisions, **before** the expenditures are paid. Generally, an expenditure is allowable, if it is necessary and reasonable; allocable to the grant; in accordance with GAAP (Generally Accepted Accounting Principles); not prohibited by federal, state, or local laws, or regulations; and supported by adequate supporting documentation.

a) Eligible Expenditures

Project expenditures must meet the following requirements to be eligible for reimbursement:

1. They must be approved in detail as part of the executed Agreement, budget justification forms and HUD regulations.

2. They must be essential to the proper and efficient performance of the service as required by the executed Agreement.
  3. The invoices, receipts and other supportive documents should be dated during the reporting period requested for reimbursement.
  4. During fiscal monitoring or audits, original receipts/invoices must be reviewed for authenticity and funding sources that reimbursed the expense. All original, unmarked documents MUST be maintained at the local office address listed in the CDBG or ESG Agreement for immediate monitoring review and/or audits. Community Development Division staff will not travel to national offices for this purpose.
  5. They must be reasonable and comparable to the expenditures paid by the Subrecipient or other Subrecipients providing similar services.
  6. They must be expended against the authorized budget category contained in the executed Agreement budget that has been approved by the City.
  7. They must be thoroughly documented, and the net expenditures must reflect all applicable credits to the Subrecipient, such as purchase discounts, rebates, and allowances, receipts from the sale of publications or materials, and any other types of income or credits.
  8. They must comply with the written policies of the Subrecipient, as approved by its governing body, in regard to the employment, salaries and wage rates, working hours, holidays, fringe benefits, vacation and sick leave privileges, military leave, jury duty, travel, overtime and other personnel matters as stated in the detailed budget forms in the executed Agreement. If a unique payment is made for an employee, document and explain clearly how it relates to the project, how the Subrecipient policies support the payment and what funding source would normally pay this item. Example: Fringe Payment made to a Subrecipient other than an insurance company or other fringe provider.
- b) Ineligible Expenditures  
Anticipated expenditures that do not clearly meet the eligibility requirements stated above are ineligible for reimbursement. Any of these expenditures submitted for payment will be disallowed and cannot be resubmitted. Ineligible costs include, but are not limited to the following:
1. Bad Debts  
Loss resulting from uncollectible accounts or claims.
  2. Commingling of Funds  
Expenditures related to services funded by sources other than CDBG or ESG funds are ineligible, if they are charged against the CDBG or ESG funds.
    - a. For Subrecipients who operate many programs, or have more than one (1) funding source, the Subrecipient shall allocate expenditures to the various programs or funding sources according to an approved Cost Allocation Plan.
    - b. The costs should be allocated on the basis most appropriate and feasible under the circumstances. Examples: include number of hours spent, number of employees, or square footage utilized for the project.
    - c. The Subrecipient shall maintain proper documentation related to the allocation of expenses (i.e., time cards, time summaries, square footage measurements, etc.).
  3. Contingency Funds  
The transfer or contribution of funds to a contingency reserve, or similar provisions for meeting future unforeseen expenses.
  4. Fund Raising  
Costs of organized fund raising, including financial campaigns, solicitation of gifts and bequests, and similar expenses paid to raise capital or obtain



contributions for the project or Subrecipient, regardless of the purpose for which the funds shall be used. In addition, expenditures to solicit contributions or donations for the project or Subrecipient, including salary expenses.

5. Contributions and Donations

Cash or in-kind contributions or donations to any Subrecipient or cause.

6. Entertainment/Subrecipient Events

Expenditures for social activities, amusement, entertainment, and general Subrecipient events (i.e., space rentals, flyers/brochures, staff time/salaries, lodging, meals, refreshments, beverages, and gratuities). Examples of such events include, but are not limited to, Subrecipient fundraising events, groundbreaking events, open house events, Subrecipient staff meetings or staff development meeting/retreats, and staff/client birthday or other parties.

7. Fines and Penalties

Expenditures to pay fines or penalties resulting from violations or noncompliance with Federal, State, or local laws, rules, or regulations.

8. Late Fees and Interest

Late fees and interest charged by vendors for invoices paid after the due date or fees associated with returned checks. Also credit card interest or fees cannot be paid using CDBG OR ESG funds.

9. Interest and Professional Fees

Interest on any type of loan, bond discounts, financing and refinancing fees, and legal/professional fees related thereto.

10. Membership Fees/Subscriptions

Fees for membership in any organization that is substantially involved in advocacy, lobbying and other activities which are intended to influence legislation at the federal, state, or local levels, as well as fees for membership for which the purpose does not support the scope of work/scope of services of the executed Agreement. Any memberships or subscriptions that is not directly associated to project clients or provision of client services.

11. Meeting Attendance Fees

Fees or salaries claimed for attending meetings that are not open to attendees on a non-segregated basis. In addition, fees or salaries for attending workshops or training sessions that do not support the scope of work/scope of services of the executed Agreement; or are attended by personnel not budgeted under the executed Agreement.

12. Training/Conference Expenses

Training/conference expenses or salaries that do not clearly support the scope of services/scope of work of the executed Agreement.

13. Out of Area Training

Expenditures for travel outside the San Diego metropolitan area for administrative or project staff to attend training activities or conferences.

14. Credit Cards

Credit Cards, business or personal, cannot be used to purchase materials or services to be reimbursed by CDBG or ESG. Many credit cards have points, mileage, percent reductions on purchases or other bonuses for use of the card. All of these benefits are considered program income and would have to be returned to CDBG or ESG. It would be difficult to measure and detail the program income received in relation to the CDBG or ESG eligible expenditure claimed, therefore, the use of credit cards is ineligible.

15. Gift Certificates/Cash Awards

Gift Certificates or cash awards given to clients or staff, including cash payments to staff for compensatory time earned or bonus payments to

employees, subcontractors or consultants. NOTE: Any project-related gift certificates must be approved in the executed Agreement, inventoried and detailed to document how they are used for project clients or the provision of project services and such details are required to be submitted with the monthly RFR submittal.

16. Deposits

Reimbursable deposits for rent, equipment, utilities or other Subrecipient expenditures are not eligible. Expenditures to pay for a past deposit for rent, equipment, or any other items are not eligible. Non-reimbursable deposits that go towards the overall payment of an item is eligible. NOTE: ESG Rapid Rehousing activity is exempt.

17. General Expenses

General expenses for carrying out the non-project-related functions of the Subrecipient or expenses unrelated to the direct scope of work/scope of services.

18. Purchases Paid with Personal Accounts

Expenses paid by Subrecipient personnel utilizing personal cash, personal checking accounts or personal credit cards.

19. Services for Other City Departments/Agencies

Expenses for performing services for any other City department, or governmental, nonprofit, or private agency during the current executed Agreement period or any previously executed Agreement period.

20. Costs for Goods or Services

Costs for goods or services not incurred within the executed Agreement period. (Incurred expenses are defined as those expenses that have actually occurred and may or may not have been paid.) Expenditures incurred prior to the start date or after the end date listed in the executed Agreement between the City and the Subrecipient are not eligible.

21. Mortgage Payments and Property Taxes

Mortgage payments and property taxes are not eligible expenditures. CDBG and ESG funds can only reimburse rent or lease payments to property owners.

22. Automobile Purchase

An automobile purchase is not an eligible expenditure.

23. Accrued Vacation and Sick Leave

CDBG/ESG funds cannot be used as pay in lieu of vacation or as termination pay of an employee as the project is completed. Annual leave cannot be paid into a reserve and distributed after the project is completed. When an employee retires or terminates employment, during the executed Agreement period, the payment for unused vacation or sick leave should be allocated based on vacation and sick leave accrued during the executed Agreement period and other funding sources used for the project.

24. File Storage Fees

Fees to store project files. Compliance with records retention requirements is an administrative responsibility of Subrecipients expending CDBG/ESG funds.

25. Monthly Parking Fees

Monthly parking fees paid for/by Subrecipient staff for place of employment.

26. Cell Phone Data Package

Cell phone data packages paid for/by Subrecipient staff.

27. Any expenditure not approved as part of the executed Agreement and not clearly explained in the budget justification will be disallowed and the reimbursement amount will be reduced to reflect this disallowance.

#### 5. ACCELERATED SPENDING

Excessive spending during the last ninety (90) days of the Agreement period is **not** allowed.

- a) Administrative-related supply or equipment must be purchased within the **first six (6) months of the Agreement**, so the supplies or equipment can be utilized for the project during the Agreement period. This includes items used by Subrecipient staff to facilitate project service delivery, such as general office supplies that include, but are not limited to, pens, paper, pencils, toner, file folders, staplers, binders, employee uniforms, employee badges, and computer software & hardware. NOTE: Repairs/Maintenance supplies should be included in the Repairs/Maintenance line item.
- b) Client-related supply or equipment purchases are for direct client use and are allowed throughout the Agreement period. This includes items used by clients for personal use or become the client's personal property. Items could include, but are not limited to, hygiene kits, bedding, bed frames, mattresses, cleaning supplies, house wares, clothing and meals.
- c) Only small purchases, as needed and approved by the assigned Project Manager, should be submitted in the last ninety (90) days of the Agreement period. The Subrecipient must demonstrate to the Project Manager that these expenditures: 1) are necessary, 2) are included in the executed Agreement, and 3) will be used within the Agreement period.
- d) Stockpiling of supplies or equipment to be used after the expiration of the executed Agreement is not allowed.

#### 6. YEAR-END FISCAL REPORTS

All year end fiscal report forms listed below will be provided by the Community Development Division Office with the exception of item d) Audited Current Financial Statements.

- a) **Financial Summary Report:** Subrecipients shall submit a financial summary report that provides confirmation of project expenditures claimed to, and reimbursed by the City for costs paid during the term of the executed Agreement. This form shall also include Subrecipient's acknowledgement and understanding that any remaining unexpended funds reported for the completed project will be presented to City Council for reprogramming.
- b) **Property Records Report:** Subrecipients shall submit a property records report that identifies any real property acquired or improved in whole or in part with CDBG/ESG funds in excess of \$25,000 or personal property acquired or improved in whole or in part with CDBG/ESG funds in excess of \$5,000.
  1. The report shall include a detailed description of the property serial/identification number, acquisition date, cost, use and condition.
  2. The report shall include the CDBG/ESG-assigned tag number.
  3. The report shall include property located at the project site(s) on the initial date of Subrecipient operations.
  4. The report shall include property stored temporarily by Subrecipient off-site when not being utilized onsite.
  5. For Subrecipients responsible for the operation of City Programs, a property record report detailing all property with a useful life of one (1) year or more purchased with CDBG/ESG funds, including those purchased in prior fiscal years, shall be maintained and included in the report submitted to the City.
- c) **Year-End Confirmation of All Project Funding Sources and Expenditures:** Subrecipients shall provide confirmation of all funding sources utilized for the

- project funded with CDBG/ESG funds, including fees, donations and program income. The information shall be entered into HUD's IDIS database system.
- d) **2 CFR 200 Subpart F-Audit Certificate of Compliance**: This document describes the audit requirements for non-federal entities that expends federal funds.
  - e) **Audited Current Financial Statements**: Non-federal entities that expend \$750,000 or more during the non-federal entity's fiscal year must have a single or program-specific audit conducted for that year in accordance with the provisions of 2 CFR Part 200 Subpart F—Audit Requirements. The calculation of the total federal awards expended by the entire Subrecipient should include the parent company and any subsidiaries. For purposes of determining the amount of total federal awards expended, all federal awards should be included, such as those that were received directly from a federal Subrecipient, or passed through a state or local government, or through nonprofit organizations, or any combination of these sources.
    1. The Subrecipient must submit the completed Single Audit report to the federal Audit Clearinghouse (FAC) within the earlier of thirty (30) calendar days after receipt of the auditor's report or nine (9) months after the end of the audit period.
    2. If the Subrecipient is not required to complete a single audit form, then a copy of the audited financial statements prepared by an independent CPA must be submitted within thirty (30) calendar days after completion by an independent CPA.
7. **AUDITS DURING THE AGREEMENT PERIOD**
- a) Subrecipient audits conducted during the period of the executed Agreement from a source other than the City shall be provide to the City within thirty (30) calendar days of completion of the audit.
  - b) The City, at its sole discretion, may conduct an annual review of any such third party audit(s).
  - c) Subrecipients shall fully cooperate with any such annual review by providing the City with any and all documentation associated with any such third-party audit(s) within fourteen (14) calendar days, unless otherwise specified by the City.
9. **REPROGRAMMING CDBG FUNDING**
- After termination date of Subrecipient's executed Agreement, if funding is not fully expended or statistical/accomplishment reports are not provided as required, the Community Development Division Office may choose to exercise its right to submit unexpended CDBG funds to the City Council for reprogramming to another activity.
10. **SUSPENSION OR TERMINATION OF AGREEMENT**
- a) Besides reprogramming, the Community Development Division Office reserves the right to:
    1. cancel any grant award;
    2. temporarily suspend payments; or
    3. implement other actions in the event that a CDBG/ESG-funded Subrecipient materially fails to comply with any of the terms of the executed Agreement, or applicable federal, state or local laws, rules and regulations.
  - b) Other reasons for these actions may include but are not limited to:
    1. Not implementing project activities timely;
    2. Not meeting project goals and objectives timely;
    3. Not submitting the most recent audited financial statements;
    4. Not having an unqualified audit opinion on the financial statement;

5. Most recent financial statement shows significant drop in cash and not enough cash to meet the three (3)-month rule;
6. Any appearance of forgery of documents or indications of fraud in reports submitted;
7. Non-compliance in the submission of programmatic or fiscal reports;
8. Non-compliance resulting from onsite visits or monitoring reviews; or
9. Excessive disallowances of RFR submittals.

11. PROGRAM INCOME

Program income is defined by federal 24 CFR 570.500(a) as any gross income received by the Subrecipient that was directly generated from the use of CDBG funds. This includes, but is not limited to the following:

- a) Proceeds from the sales or lease of property purchased or improved with federal funds;
- b) Proceeds from the sale or lease of equipment purchased with federal funds;
- c) Gross income from the use of real or personal property acquired, constructed or improved by the grantee (or an Subrecipient), less costs incidental to the generation of income;
- d) Payments of principal and interest on loans made using federal funds;
- e) Interest earned on program income pending its disposition (NOTE: Interest earned on revolving loan funds, as described below, must be remitted to the U.S. Treasury at least annually); and
- f) Funds collected through special assessments on properties not owned and occupied by low/moderate-income households in order to recover the CDBG portion of a public improvement.

12. PROGRAM INCOME REPORTING/MAINTENANCE

- a) All CDBG-funded Subrecipients will report any program income.
  1. Program income funding under the \$25,000 limit can be used in the project it was earned. A report of the program income used this way must be documented in the RFR submittal.
  2. If the total for the year is estimated to exceed the \$25,000 limit, all of the program income will be sent to the Community Development Division Office for City Council-determined distribution to projects as part of the reprogramming required by federal regulations.
- b) Subrecipients shall also maintain documentation of any other project income received for the use of staff time or facilities where the related costs are charged to the City as an allowable expense (i.e., staff salaries and facility rent/lease charged to the City Agreement) totaling less than \$25,000. At minimum, this includes the following:
  1. A copy of the Subrecipient's Client Fee Schedule applied to the funded project shall be submitted to the City;
  2. Subrecipients shall track and document all fees collected from clients or other project income obtained;
  3. Documentation of all transactions (deposits, withdrawals and actual usage) taking place shall be maintained by Subrecipients;
  4. Subrecipients shall submit to the Project Manager a written budget detailing how any generated income collected were utilized, along with the RFR submittal;
  5. Program income funds generated from the project may only be used to improve or support the services being rendered by Subrecipients through the CDBG/ESG Agreement; and



6. As part of the project closeout process, a report of revenues unexpended shall be submitted to the City along with the Subrecipient's final Request for Reimbursement. All unexpended revenue in the Client Generated Income Account shall be reverted to the City within thirty (30) days of termination of the Agreement. However, Subrecipients awarded funding in the subsequent fiscal year may retain the unexpended revenues and carry that amount over to be utilized during the subsequent Agreement time period.

13. NOT PROGRAM INCOME

Program income **does not include the following:**

- a) Income earned on grant advances from the U.S. Treasury;
- b) Payments made by the Subrecipient of principal or interest on CDBG-funded loans received from grantees, if such payments are made using program income received by the Subrecipient:
  1. Any income received in a single program year by the Subrecipient *and* its subcontractors that does not exceed \$25,000; and
  2. Income generated by certain Section 108 activities (refer to 570.500(a)(4) (ii));
  3. Proceeds from Subrecipient fundraising activities;
- c) Funds collected through special assessments to recover non-federal outlays of capital improvements; and
- d) Proceeds from the disposition of real property by a Subrecipient that was acquired or improved with CDBG funds five (5) years after the termination of the grant Agreement with the Subrecipient. Certain conditions apply. Refer to CFR 570.503(b)(8).

C. FINANCIAL SYSTEMS

Subrecipients must comply with the following fiscal procedures as a means of maintaining sound control over project expenditures and CDBG/ESG-funded assets to the maximum extent feasible. **Refer to 2 CFR Subpart D 200.302.**

1. ACCOUNTING SYSTEM

Subrecipients are required to maintain an accounting system that controls and accounts for all funds, property and other assets as a result of the contractual relationship with the City based on Code of federal Regulations (CFR). The system must also be secure for payroll and other sensitive documents used for the CDBG/ESG-funded project. Back up of the accounting system also needs to be addressed and performed regularly so documentation is not lost. All data should be retained for three (3) years following the completion of the project in the accounting system, as well as all supportive hard copies of original supporting documentation. Therefore, this system should be flexible enough to:

- a) implement internal controls;
- b) maintain accounting records;
- c) clearly record all costs so eligibility can be determined;
- d) reference transactions to supporting documentation and tracking notes;
- e) include a budget mechanism to assure funds are not over expended;
- f) maintain subsidiary records for accounts payable, accounts receivable and cash transactions;
- g) produce integrated reports that can be updated as needed to meet reporting requirements monthly or at monitoring visit; and
- h) maintain original reports with original supporting documents for funding expenditures and monitoring or audit purposes.



## 2. TRACKING SYSTEM REQUIREMENT

Subrecipients are required to have an integrated and secure accounting system in place to meet the requirements of HUD and the City of San Diego. These requirements include:

- a) Establish a system of tracking deposits and expenditures related to the CDBG/ESG funds received from the City.
- b) Maintain a separate set of records for each individual funded project awarded by the City.
- c) No commingling of funds received from sources other than the City, as well as with other non-CDBG/ESG funds received from other City divisions or departments.
- d) Maintain a Cost Allocation Plan to show how expenditures are broken out amongst other funding sources, if the project is not 100 percent funded with CDBG or ESG. This plan may be reviewed during monitoring visits.

## 3. FINANCIAL RECORDS MAINTENANCE

Subrecipients should maintain accounting records per the Playing by the Rules Handbook (2005) Chapter 2 for the purpose of recording the financial transactions related to the project. Maintenance of adequate documentation for expenditure of CDBG/ESG-funded activities is critical to the effectiveness and overall performance of the program. Program income and receipt of CDBG/ESG revenue requires adequate documentation.

- a) These records are essential to the maintenance of sound fiscal control, preparation and submission of reports to the City, processing of program income, and preparation for monitoring, and auditing functions.
- b) All documents for the CDBG/ESG project(s), including books of original entry, supporting documents, canceled checks and invoices should be maintained in an orderly manner, and must not be intermingled with the records of any other funding sources.
- c) These records and documents are required to be protected against loss, fire, or other damages.
- d) All documents must be kept for three (3) years past the completion of the project.
- e) To choose the method of accounting that best fits your Subrecipient's needs includes knowing:
  1. what information needs to be collected and why;
  2. when that information should be collected (and how often);
  3. how the information should be acquired, organized, and stored;
  4. how the information should be reported;
  5. how storage of documents is secured; and
  6. what maintenance and retention is used for past records.

## 4. INTERNAL CONTROL PROCEDURES

Internal Controls should be established for each Subrecipient utilizing CDBG/ESG funding. The Subrecipient should use a combination of procedures, specified job responsibilities, qualified personnel and records that create accountability in the organizations' financial system to safeguard its cash, property and other assets. **Refer to 2 CFR Subpart D 200.303.**

The Board of Directors and Subrecipient management (CEO, CFO, or equivalent) are responsible for proper reporting and internal controls to protect against fraud, forgery or reports that are inaccurate. The following internal control procedures shall be utilized by the Subrecipient to the maximum extent feasible, as determined by the number of personnel employed and the size and complexity of the project:

- a) The Subrecipient's functional organization and personnel responsibilities shall be clearly established and closely observed using clearly defined job descriptions, written accounting procedures, organization charts, and periodic review of financial system by staff and annually by independent certified auditor, and personnel evaluations.
- b) Employees should be rotated through various assignments as feasible and vacations taken at least once a year.
- c) Work should flow from one (1) employee to another, so that the work of the second shall provide a check upon the first, without duplicating the work of the first.
- d) Separation of duties where no employee shall have complete control over all phases of any significant transaction.
- e) The function of receiving cash should be centralized to one (1) employee, and the employee should not be involved in any way with processing vouchers, preparing deposits, making disbursements, or keeping accounting records. In this connection, only the employee who keeps the accounting records should have access to those records.
- f) Established formal system of authorization and supervision.
- g) Control over access to assets, blank forms, and confidential documents should be limited to only those individuals having record keeping or supervisory responsibility for them.
- h) All accounting systems must be secured when not in use, regularly backed up and stored securely by assigned staff, and not be available to any staff or volunteers without authorization.
- i) Record keeping and the handling and custody of assets should be separated from operational functions.
- j) Sensitive documents must be handled properly, secured in locked area, and not be available to anyone other than those authorized to work with the forms.
- k) All records must clearly identify the source and application of CDBG/ESG funds and have clear explanations for unusual accounting adjustments.
- l) All reports should be reviewed by management and presented to Board.

D. ACCOUNTING RECORDS

Detailed accounting records are required for all transactions related to the project without co-mingling with other projects or funding. Reports must be generated as needed. Most Subrecipients are currently using some type of automated accounting system, PC software, or consultant accounting services to comply with the CDBG/ESG reporting requirements. No matter which type of accounting system is used, Subrecipients must keep all reports and supportive original documents safely secured and available for monitoring or audit upon notice.

The following is a description of the accounting records considered to be the minimum required for recording transactions relating to the City-funded project. Subrecipients may establish any additional accounting records it considers necessary to provide adequate financial control of its assets and liabilities and to account for project costs. Subrecipients shall maintain the following ledgers for the purposes indicated:

1. General Ledger

A General Ledger shall be used to record all transactions related to the project. Posting should be done at least weekly for in-house staff or monthly, if consultant or other accounting service is used. RFR submittal should be based on the monthly Cash Disbursements Register information posted each month to this ledger.

## 2. Cash Receipts Register

A Cash Receipts Register shall be maintained to record all funds (cash, checks, money orders, etc.) received in connection with the project. Deposit slips shall contain sufficient information so that the required entries may be made in the Cash Receipts Register or General Ledger. The Cash Receipts Register shall be balanced each month and posted to the General Ledger. NOTE: The Cash Receipts Register may be combined with the Cash Disbursements Register described in Section 3 below.

- a) Pre-printed and pre-numbered receipt forms shall be used for all types of funds received by the Subrecipient.
- b) All checks and other negotiable items received by the Subrecipient shall be immediately stamped with a restrictive endorsement and receipted. All cash received by the Subrecipient shall be receipted, with a duplicate copy of the receipt forwarded to the employee responsible for bank reconciliation reports.
- c) Each check, negotiable item, or cash receipt shall be individually recorded in sufficient detail in the Cash Receipts Register at the time of receipt and not combined with other receipts as a total amount.
- d) All checks, negotiable items, and cash receipts shall be deposited in the bank no later than the following business day.
- e) Cash balances shall be periodically checked by employees who do not handle or record cash receipts, and do not prepare signed checks.
- f) All receipts, checks and other sensitive documents need to be secured during the day and overnight in secure locked locations determined by the Subrecipient.

## 3. Cash Disbursements Register

A Cash Disbursements Register shall be maintained to record all checks issued for the withdrawal of funds from the project's bank account. The Cash Disbursements Register shall be balanced each month and posted to the General Ledger. RFR submittal should be based on the monthly Cash Disbursements Register information posted monthly. NOTE: The Cash Disbursements Register may be combined with the Cash Receipts Register described in Section 2 above.

- a) All disbursements other than petty cash shall be made by pre-printed and pre-numbered checks, and if feasible, the amounts shall be imprinted by a check-writing machine.
- b) Each expenditure shall be carefully reviewed and approved, and if the expenditure is for items that have been purchased, disbursement shall be made only after the items have been received, inspected, and the quantities verified.
- c) Disbursements for travel shall be supported by detailed documentation that includes places visited, purpose, itinerary, mode of travel, and receipts for all eligible expenditures.
- d) Each disbursement check shall be approved and signed by an authorized official of the Subrecipient and countersigned by a second authorized official of the Subrecipient or its governing body.
- e) Each disbursement shall be individually recorded in sufficient detail in the Cash Disbursements Register at the time of disbursement and not combined with other disbursements as a total amount.
- f) Checks shall not be made payable to "Cash," "Bearer," or any other unidentifiable person or entity.

## 4. Petty Cash Records

The Subrecipient's Petty Cash process must be documented in the Subrecipient's Financial Management Procedures for Community Development Division staff's

- review and acceptance. Only Subrecipients with accepted Petty Cash processes will be allowed to claim reimbursement for Petty Cash expenses.
5. Cost Control Ledger and Subsidiary Ledger  
A separate cost control (expenditure) ledger shall be maintained for each funding source (CDBG/ESG funds, In-Kind Subrecipient funds, Ineligible Costs, etc.). A Subsidiary Ledger shall be maintained for each cost control ledger, showing costs by budget category and object of expenditures to classify costs according to activity classifications shown in the latest approved budget. The Subsidiary Ledgers may be part of the automated accounting system, or it may be a Manual columnar ledger spreadsheet with a separate column for each subsidiary account.
  6. General Journal  
The General Journal shall be used to document and record transactions in the General Ledger or Subsidiary Cost Ledger that are not recorded from Cash Receipts and Disbursement Registers such as correcting entries, adjusting entries (accruals), and closing entries. Entries in the General Journal shall be consecutively numbered and the number shall be recorded as a part of the entry in the General Ledger or the Subsidiary Ledger. Each entry shall contain a complete explanation of the transaction being recorded and references to related documents if applicable. All General Journal entries shall be approved by an authorized official of the Subrecipient.
  7. Payroll Records  
Payroll records shall be used to record salaries and wages and employer/employee contributions and withholdings, as applicable, including check numbers or direct deposit information.
    - a) Time and attendance reports shall be individually maintained for each employee. *Automated payroll system: If the payroll system in place is fully computerized with signatures on time cards being replaced with approval based on employee submission and supervisors review and approval in the system, reports generated by the system will be used in place of time cards and time sheets. **The automated payroll system process must be documented in the Subrecipient's Financial Management Procedures for Community Development Division staff's review and acceptance.** Otherwise, the time and attendance report form shall include the following information:
      1. Pay period.
      2. Employee name and/or employee number.
      3. Employee title. (Employee positions shall conform to the Personnel Schedule of the executed Agreement budget.)
      4. Number of hours worked each day.
      5. Number of hours worked during the pay period. Fractional positions are those positions that are charged to two (2) or more funding sources. Documentation must show at a minimum, the daily hours worked and the funding sources charged. Documentation for fractionalized positions must reflect actual hours worked per funding source and not budgeted hours. Failure to maintain records of daily labor hours worked by funding source may result in disallowed salary expenditures.
      6. Employee's signature.
      7. Supervisor's signature attesting to verification and approval of the information entered on the time and attendance report form.
      8. **Time and attendance records or automated system report for the Executive Officer of the Subrecipient must have the signature of an appropriate designee of the Subrecipient's Governing Board of Directors.***

- b) Salary or wage payments to each employee shall be handled in the following manner:
    1. Total gross pay is computed on the basis of the total time worked, as shown on the time and attendance reports and recorded in the Payroll Journal.
    2. Payroll deductions are computed and recorded in the appropriate columns of the Payroll Journal. The net pay is then determined and recorded.
    3. The amount of each payroll check and the check number are recorded in the Cash Disbursements Register.
    4. Persons who keep the payroll records should not handle or distribute the related paychecks.
  - c) A U.S. Treasury Department, Internal Revenue Service, Form W-4 must be completed and signed by each employee for federal and State income tax and federal Social Security (FICA) tax withholding purposes.
  - d) Subrecipients and their employees are subject to a variety of contributions or income withholdings such as federal and State income taxes, federal Social Security (FICA) taxes, and state unemployment compensation taxes, disability insurance, and workers' compensation insurance. Each Subrecipient can determine its status and responsibilities in regard to these contributions and withholdings by obtaining federal and state publications that are available to employers for this purpose. In the event of uncertainties, Subrecipients shall obtain advice and assistance from representatives of the appropriate federal or state departments, or from a competent private source.
  - e) All CDBG/ESG funding should be used for direct client or project expenditures.
8. Bank Reconciliation Records  
Bank statements shall be delivered unopened to an employee whose responsibilities do not include receiving or depositing cash receipts or authorizing, preparing, or signing checks. This employee shall prepare the bank reconciliation immediately after receiving the bank statement. All bank statements must be reconciled monthly to the cash account in the General Ledger and should include the signatures and dates of persons preparing, reviewing, and approving the reconciliation. Subrecipients shall maintain a copy of the monthly bank account reconciliation for review at monitoring or for audits. NOTE: A copy of the Treasurer's report to the Subrecipient's Board with the bank reconciliation and monthly financial statements need to be approved by the Board monthly and also be available for review at monitoring visits.
9. Property Acquisition  
When CDBG/ESG funds are used to acquire real property (i.e., land, buildings) or personal property (i.e., equipment, supplies intangible property), federal regulations require that the Subrecipient is responsible for ensuring that:
- a) the property continues to be used for its intended (and approved) purpose;
  - b) the Subrecipient keeps track and maintains care of the property;
  - c) if the Subrecipient sells the property, the Subrecipient reimburses the City for the share of the property's value according to the contractual obligation;
  - d) the property is properly tagged;
  - e) the property has a value of \$5,000 or more;
  - f) the property has a useful life of one (1) year or more; and
  - g) the property has not been consumed or lost its identity by being incorporated into another item of property.
10. Property Records  
Property purchased with CDBG/ESG funds must be included in the executed Agreement budget. All property paid for with any CDBG/ESG funding will be tagged by the Project Manager when payment is complete. Subrecipients shall conduct a



sight inventory of all such property at least once a year, record property status accordingly and submit this information annually as part of the year-end reporting requirements. Each property record shall include the following information:

- a) A description of the item of equipment, a serial number or other identification number, the City property tag number, funding source, who holds title, federal share percentage, use & condition.
- b) The date of acquisition and cost.
- c) The location of the equipment.
- d) If equipment is disposed: how was it disposed, date of disposal and sale price.

11. Property Maintenance/Disbursement

A control system shall be developed to ensure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft shall be investigated. Stolen or vandalized property shall be reported to the San Diego Police Department and the Community Development Project Manager immediately. A copy of the police report shall be submitted to the City within fourteen (14) business days after filing. The system should include the following areas:

- a) Adequate maintenance procedures shall be developed to keep the property in good condition.
- b) Upon conclusion of the project, or earlier termination for any reason, all property purchased with City or federal funds and those belonging to the City shall revert to the City upon request.
- c) Property discovered to be missing shall be reported to the Community Development Project Manager, and a missing property report shall be completed and submitted to the City within five (5) business days after the date of discovery of the missing property.
- d) Property that is no longer needed or has been damaged to the extent that it is no longer usable must be reported to the Community Development Project Manager for a determination as to its disposition. Under no circumstance may the property be disposed of prior to obtaining City authorization.
- e) If the property is sold, proper sales procedures must be established to ensure the highest possible return or adherence to Program Income requirements as applicable.
- f) The total cost of all items of non-expendable property as shown on the property record report shall equal the balance in the account for equipment purchases. The annual inventory of non-expendable property shall be reconciled to the property record.



## SECTION V MONITORING

Projects and services that use funding derived from any of the City of San Diego's four (4) HUD entitlement programs (CDBG, HOME, HOPWA, and ESG) are performed on behalf of the City and are subject to all applicable regulations, both federal and local. HUD requires monitoring of Subrecipients to ensure compliance. Monitoring and compliance activities take place throughout the life of the project, as well as post closeout for construction projects. Monitoring activities begin from the time the Agreement is signed and may extend past the life of the original Agreement, depending on the activity being performed. The close of the executed Agreement does not necessarily close the monitoring. Monthly desk audits are performed prior to reimbursement (see Section IV). Deliverables and expenditures are recorded and compared to the Budget and Scope of Work included in the Agreement. Community Development Division staff may initiate fiscal or programmatic review at any time and meet with Subrecipient staff as-needed.

### A. ONSITE MONITORING

Onsite monitoring and compliance visits will be performed by Community Development Division staff. These visits shall take place at the project site or the Subrecipient's administrative offices. Community Development Division staff may also make unannounced site visits. An unannounced site visit is based on a specific monitoring purpose, such as verification of project hours and other Agreement compliance concerns. A written record of all site visits, announced or unannounced, shall be prepared and provided to the Subrecipient. Any concerns or findings identified are discussed with Subrecipient staff, along with recommendations or requirements for compliance with federal regulations and executed Agreement requirements. Although monitoring activities may be tailored to each project depending on identified needs and risks, onsite monitoring will generally take place through four (4) channels: 1) General Site Visits, 2) Worker Interviews, 3) Annual Onsite Review, and 4) Annual Fiscal Monitoring.

#### 1. GENERAL SITE VISITS

General site visits shall be conducted at Subrecipient or subcontractor sites to observe project operations or construction status, provide technical assistance, review service delivery or construction processes, and review documentation to ensure compliance with Agreement terms and delivery of services. Site visits will be conducted by Community Development Project Managers during the Agreement period. A report documenting the results, including concerns or required corrective actions, shall be completed and a copy sent to the Subrecipient. Follow-up visits may be conducted, as needed to ensure compliance issues were properly addressed.

#### 2. WORKER INTERVIEWS

For projects required to comply with federal and state labor standards, onsite worker interviews shall be conducted by Community Development Division staff. Observation activities will include the work being performed, laborer and mechanic interviews, and a desk review of payroll documentation once the onsite interviews have been completed. The interviews conducted shall include a sufficient sample of job classifications represented on the job and shall be conducted privately. These interviews are confidential. Employees of both the prime contractor and subcontractors shall be interviewed. If discrepancies are identified, Subrecipients are responsible for ensuring appropriate steps are taken to resolve the discrepancies. The discrepancies

identified, the necessary action completed, and the results shall be noted on the interview form.

3. ANNUAL PROGRAM MONITORING

In order to ensure that the project or service remains in compliance with HUD guidelines, a programmatic onsite review will be conducted once per Agreement period. The purpose of conducting program monitoring reviews is:

- a. To determine if services are being delivered in accordance with Agreement requirements as to type of services and number of units of service;
- b. To determine if systems are in place to properly document client eligibility, provision of services, and compliance with CDBG and other Agreement requirements; and
- c. To determine if previous monitoring findings have been corrected and are not being repeated

The review will be conducted by Community Development Division staff, either at the project site or at the Subrecipient's administrative office. Areas of review include, but are not limited to: general Subrecipient operations; client services; program reporting and documentation; and records retention. There will also be a review of Subrecipient client casefiles. Upon completion of the onsite review, a letter will be sent to the Subrecipient listing any concerns or findings, as well as requests for remedial action on the part of the Subrecipient.

4. ANNUAL FISCAL MONITORING

The Community Development Division is responsible for ensuring that all CDBG funds under its oversight are used in accordance with all financial management guidelines, fiscal policies and reporting. Fiscal monitoring is performed to ensure the Subrecipient is performing the project according to the Playing by the Rules Handbook (2005) Chapter 2. The purpose of these requirements is to ensure that a subrecipient receiving federal funds has a financial management system sufficient to:

- a. Provide effective control over and accountability for all funds, property and other assets;
- b. Identify the source and application of funds for Federally-sponsored activities assuring reasonableness, allowability, and allocability of costs;
- c. Verify that the funds have not been used in violation of any of the restrictions or prohibitions that apply to this federal assistance;
- d. Assure the accurate, complete, and timely disclosure of financial results is in accordance with the reporting requirements of the grantee or HUD;
- e. Minimize the time elapsing between the transfer of the funds from the U.S. Treasury and disbursement by the subrecipient; and
- f. Review the prior site visit monitoring finding/concern to determine if the Subrecipient has implemented the suggested changes for compliance.

The review will be conducted by Community Development Division staff at the Subrecipient's administrative office. Areas of review include, but are not limited to: Subrecipient accounting system; reporting and documentation; use of CDBG funds; and use of program income. Upon completion of the onsite review, a letter will be sent to the Subrecipient listing any concerns or findings, as well as requests for remedial action on the part of the Subrecipient.

**B. FOLLOW-UP ACTIONS**

Any monitoring and compliance activity taken by Community Development Division staff will be documented and a written report detailing the results of the program and/or fiscal monitoring visit shall be sent to the Subrecipient. A response from the Subrecipient may be required to address any concerns or findings identified. The Subrecipient correspondence will provide confirmation on whether a response is required. When a required Subrecipient response letter is received, Community Development Division staff shall review and provide a written response stating either that the concern/finding\* has been appropriately resolved or that there are additional actions required of the Subrecipient in order to meet compliance standards. Copies of all documents will be maintained by Community Development Division staff. If a finding or concern is not followed up by the Subrecipient in the form of a response letter within the designated deadline, the Community Development Division Office may suspend reimbursements until the required written response is received. Concerns and findings will remain open until it has been appropriately addressed and cleared by Community Development Division staff. Concerns and findings may also be noted in the Subrecipient's performance report prepared by the Community Development Division.

\*A *concern* is a matter that, if not properly addressed, can become a finding and can result in a sanction. A *finding* is a violation of law or regulation that can result in a sanction.

**NOTE: The close of the executed Agreement does not necessarily close the monitoring reviews conducted. Correspondence shall continue until all findings are closed.**

**C. APPEALS**

In the event that the Subrecipient and the Community Development Division staff cannot come to an Agreement on one (1) or more of the concerns or findings resulting from the onsite monitoring conducted, an appeal may be made in writing to the Community Development Division Manager. The appeal should state clearly the finding being appealed, and the basis for the appeal. The Community Development Division Program Manager, upon discussion and concurrence with the Economic Development Department Deputy Director, shall issue a written response that includes final determinations of compliance.

**NOTE: HUD does not accept appeals of decisions by the City regarding monitoring issues.**

## SECTION VI TECHNICAL ASSISTANCE

Technical assistance is the transfer of expertise from the Community Development Division staff to Subrecipients for the development or improvement of program systems, fiscal systems, and service delivery systems. The purpose of technical assistance is to resolve general or specific concerns that the Community Development Division or Subrecipient has regarding the funded project. Subrecipients may request technical assistance from the Community Development Division staff at any time during the Agreement period. Community Development Division staff shall provide the technical assistance directly, but may also ask other departmental personnel or other resources to provide the assistance if appropriate.

Technical assistance may include:

- Clarification and interpretation regarding policies and procedures;
- Assistance in completing required reporting forms;
- Assistance in developing systems;
- Referrals to appropriate resources; or
- Providing information.

Technical assistance does not include research, development or preparation of applications, proposals or concept papers.

### KEY SUBRECIPIENT STAFF CHANGES

Subrecipients shall notify the project's designated Project Manager of any key Subrecipient staff changes impacting the administration of the project funded with CDBG funds. It is highly recommended that Subrecipients request a technical assistance meeting with the Project Manager when new staff is given the responsibility of the oversight, administration, or the reporting of project activities/services or expenditures. The information that the Project Manager will discuss shall include, but not be limited to, the following:

1. Agreement terms;
2. Funding source requirements;
3. Operating Manual;
4. Reporting forms and timelines; and
5. Monitoring process.

**TERMS AND DEFINITIONS**

ADA:	Americans with Disabilities Act
CAPER:	Consolidated Annual Performance and Evaluation Report
CDBG:	Community Development Block Grant
CDD:	Community Development Division
CFR:	The Code of federal Regulations is the codification of the general and permanent rules published in the federal Register
DOL:	Department of Labor
EO:	Executive Order
ERR:	Environmental Review Record
ESG:	Emergency Solutions Grant
FHEO:	Fair Housing and Equal Opportunity
HUD:	U.S. Department of Housing and Urban Development
IDIS:	Integrated Disbursement and Information System
FICA:	Federal Insurance Contribution Act
GAAP:	Generally Accepted Accounting Principles
LMI:	Low to Moderate Income
MOU:	Memorandum of Understanding
NEPA:	National Environmental Policy Act
NPE:	Non Personnel Expense
OIG:	Office of Inspector General
OMB:	Office of Management and Budget
PE:	Personnel Expense
PO:	Purchase Order
PM:	Project Manager
PR:	Purchase Requisition
RFR:	Request for Reimbursement
SAP:	Systems, Applications, Products (City of SD Accounting software)
SIT:	State Income Tax
SSI:	Supplemental Security Income
URA:	Uniform Relocation Act
USC:	United States Code

**OMB Circulars:** Instructions or information issued by the Office of Management and Budget

**City of San Diego Municipal Code:** Contains all ordinances for the City of San Diego

**Consolidated Plan:** Prepared every three (3) to five (5) years with updates required annually. The purpose of the Consolidated Plan is: 1) To identify a city's or state's housing and community development (including neighborhood and economic development) needs, priorities, goals and strategies; and 2) To stipulate how funds will be allocated to housing and community development activities. The current approved Plan covers FY 2015-FY 2019.

**City:** City of San Diego

**Subrecipient:** A public or private nonprofit agency, authority or organization, or an entity awarded with CDBG funding from the City and enters into an Agreement with the City, including City of San Diego departments, public agencies and other government organizations.

**Subcontractor:** Any organization, Subrecipient, or firm that furnishes supplies or services (other than office space, standard commercial supplies, or printing services) to the Subrecipient in connection with the Subrecipient's Agreement with the City of San Diego.

**Area Benefit Activities:** An activity that benefits all residents in a particular area, where at least 51 percent of the residents are low to moderate income persons. Such an area need not be coterminous with census tracts or other officially recognized boundaries, but the entire area must be served by the activity. An activity that serves an area that is not primarily residential in character shall not qualify under this criterion. CDBG regulations required documentation of area boundaries served.

**LMI Clientele Activities:** An activity which benefits a limited clientele, at least 51 percent of whom are low- or moderate-income persons or benefit a client presumed to be low- or moderate-income persons. CDBG regulations require the subrecipient to document the demographics and income levels of clientele provided such activities.

**Housing Activities:** An activity carried out for the purpose of providing or improving permanent residential structures occupied by low to moderate income households. A minimum of 51 percent of the units of multi-unit structures improved shall be occupied by low- or moderate-income households upon completion. CDBG regulations require the subrecipient to document number of households served, number of units completed and demographics and income level of the household occupying the unit. Only low- or moderate-income households may be assisted with CDBG funds to complete housing activities.

**Unduplicated Client:** A client refers to a person served by the funded project. Clients may receive multiple units of service per year from one (1) project. Regardless of the number of units of service per year received by the client, the client is tracked and reported as one (1) unduplicated client.



**Head of Household:**

A person is considered Head of Household if he/she is legally unmarried (including certain married persons who live apart) or is legally separated and meets the requirements set forth in “A” or “B” below:

- A. He/she pays more than half the cost of keeping up a home which was the principal residence of his/her father or mother whom he/she claims as a dependent.
- B. He/she pays more than half the cost of keeping up a home in which he/she lives and in which one of the following also lives all year (except for temporary absences for vacation or school):
  - a. His/her unmarried child, grandchild, foster child, or stepchild. (This person does not have to be his/her dependent.)
  - b. His/her dependent child, grandchild, foster child, or stepchild.
  - c. Any other person listed below whom he/she can claim as a dependent.

Grandparent	Brother	Sister
Stepbrother	Stepsister	Stepmother
Stepfather	Mother-in-Law	Father-in-Law
Brother-in-Law	Sister-in-Law	Son-in-Law
Daughter-in-Law	Uncle (Blood)	Aunt (Blood)
Nephew (Blood)	Niece (Blood)	

NOTE: If he/she received payments under the Temporary Aid to Needy Families (TANF) program and used them to pay part of the cost of keeping up his/her home, he/she may not count these amounts as furnished by him/her.

**Ethnic Categories/Racial Categories:**

The two (2) ethnic categories as revised by the OMB are defined as follows:

- 1. Hispanic or Latino — A person of Cuban, Mexican, Puerto Rican, South or Central American, or other Spanish culture or origin, regardless of race. The term, “Spanish Origin,” can be used in addition to “Hispanic or Latino.”
- 2. Not Hispanic or Latino — A person not of Cuban, Mexican, Puerto Rican, South or Central American, or other Spanish Culture or original, regardless of race.

Definitions for the Five (5) Racial Categories as revised by the OMB are as follows:

- 1. White — A person having origins in any of the original people of Europe, North Africa, or the Middle East.
- 2. Black/African American — A person having origins in any of the black racial groups of Africa.
- 3. Asian — A person having origins in any of the original peoples of the Far East, Southeast Asia, or the Indian subcontinent including, for example, Cambodia, China, India, Japan, Korea, Malaysia, Pakistan, the Philippine Islands, Thailand, and Vietnam.
- 4. American Indian/Alaskan Native — A person having origins in any of the original peoples of North and South America (including Central America), and who maintains tribal affiliation or community attachment.
- 5. Native Hawaiian/Other Pacific Islander — A person having origins in any of the original peoples of Hawaii, Guam, Samoa, or other Pacific Islands.
- 6. American Indian/Alaskan Native & White — A person having these multiple racial origins as defined in the previous page.

7. Asian & White — A person having these multiple racial origins as defined in the previous page.
8. Black/African American & White — A person having these multiple racial origins as defined in the previous page.
9. American Indian/Alaskan Native & Black/African American — A person having these multiple racial origins as defined in the previous page.
10. Other Multi-Racial — Category used for reporting individual responses that are not included in any of the categories listed in this section.

**Presumed Low/Moderate-Income Persons:** This includes the following: abused children, battered spouses, elderly persons (sixty-two [62] years or older), severely disabled adults (as defined by the Bureau of Census), homeless persons, illiterate adults, persons living with AIDS, and migrant farm workers. This recognition only applies to projects reporting low- and moderate-income clientele. NOTE: The presumed category is not eligible to be utilized for economic development projects (i.e. microenterprise assistance projects) or projects providing assistance to households (i.e. Housing Rehabilitation Programs/Projects and Direct Financial to Homebuyers projects). Subrecipients shall utilize the following when reporting income levels for eligible presumed low/moderate income persons served:

PRESUMED CATEGORY	PRESUMED INCOME LEVEL
Abused Children	Extremely Low Income
Battered Spouses	Low Income
Severely Disabled Adults	Low Income
Homeless Persons	Extremely Low Income
Illiterate Adults	Low Income
Persons with AIDS	Low Income
Migrant Farm Workers	Low Income
Elderly	If assistance is to construct, convert, or rehabilitate a senior center or pay for providing center-based senior services, report the elderly beneficiaries as Moderate Income  If assistance is for other services (not center-based), report the elderly beneficiaries as Low Income

**Census definition of “severely disabled”:**

Persons are classified as having a severe disability if they:

- a. Use a wheelchair or another special aid for six (6) months or longer;
- b. Are unable to perform one or more functional activities (seeing, hearing, one’s speech understood, lifting and carrying, walking up a flight of stairs and walking);
- c. Need assistance with activities of daily living (getting around the home, getting in or out of bed or a chair, bathing, dressing, eating, and toileting) or instrumental activities or daily living (going outside the home, keeping track of money or bills, preparing meals, doing light housework and using the telephone);
- d. Are prevented from working at a job or doing housework;
- e. Have a selected condition including autism, cerebral palsy, Alzheimer’s disease, senility or dementia, or developmental disability; or
- f. Are under sixty-five (65) years of age and are covered by Medicare or receive Supplemental Security Income (SSI).

**Microenterprise:** A business having five (5) or fewer employees, one of whom owns the business.

**Project Closeout:** The Project Closeout is the process by which the CDBG Program determines that all required work under the executed Agreement has been completed. This means that all financial, administrative and performance issues related to the activities undertaken by the Subrecipient must be resolved to the satisfaction of the Community Development Division and the Subrecipient.