



Building Better Neighborhoods



*Our mission is to create a transformative impact in our neighborhoods, improve the lives of residents; and develop strategies that bring partners and resources together.*

# Policies and Procedures Manual

Office of Planning and Community Development

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## A. Executive Summary

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The guidelines set forth in this Policies and Procedures Manual enumerate the most significant rules and regulations for projects and programs funded wholly or in-part by the Community Development Block Grant (CDBG) for the City of Florence, Alabama. The guidelines are intended to facilitate uniform administration and accounting of funds and services. Periodic revisions may be made to this manual. When changes are made which affect funded programs, a representative from the Office of Planning and Community Development will inform existing subrecipient grantees. Likewise, technical assistance is provided to programs as needed during the contract period. Questions concerning administrative or fiscal policies and procedures not covered by this manual should be addressed to the Office of Planning and Community Development. HUD Regulations governing CDBG may be reviewed under Title 24 Code of Federal Regulations (CFR) Part 570 - Community Development Block Grants.

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## B. Mission | Vision | Values

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### Mission

It is our mission and responsibility to create orderly, thriving physical, social, and economic conditions.

### Vision

To be an unbiased partner to citizens and stakeholders through policy recommendations, thorough planning, and management of developed plans and projects.

### Values

We will uphold the high standards for the quality of life established by citizens.

We will collect and incorporate sound scientific information and local knowledge.

We will engage citizens in the planning process.

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## C. Mission Strategy and CDBG

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The Office of Planning and Community Development employs strategic planning principles as a systematic approach to thinking about an overall vision for the future physical, social, and economic needs of the community. Strategic planning is intended to evolve and grow in response to changes in public values and to market and physical conditions in order to strengthen, revitalize and optimize one or more aspects over the long term. It is the responsibility and commitment of the Office of Planning and Community Development to carry out its mission, vision, and values through the formulation of supportive CDBG policies, programs, and projects to move the community toward fulfillment of those goals.

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## D. Purpose of the Policies and Procedures Manual

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The purpose of the CDBG Policies and Procedures Manual is to communicate the minimum requirements of participation and provide assistance to subrecipient grantees to deploy efficient management practices, conservative fiscal controls, and progressive project and program approaches to leverage all resources toward the betterment of our community. It is a supplement to the basic program regulations,

government management, and financial systems for the CDBG Program contained in the Code of Federal Regulations Title 24 and 2 CFR 200.

Further, it provides guidance to the program staff in the multiple areas of responsibility including the monitoring of program activities, reporting contract compliance to city administration, the review and processing of reimbursement requests, and to communicate applicable policies and regulations to programs.

This manual is incorporated in its entirety into the Agreements entered into by the City and Agencies for the operation of CDBG-funded projects. Each Agency must comply with the minimum requirements and procedures prescribed in this manual to the maximum extent feasible. In addition, each Agency 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 Office of Planning and Community Development must be obtained for any deviation from the minimum requirements contained in this manual that may be necessitated by the organizational structure, staffing level, or other limitations of a particular agency. Any proposed deviations shall be considered by the Division upon receipt of a written request.

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## E. Overview of the Community Development Block Grant

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The Community Development Block Grant (CDBG) Entitlement Program provides annual grants on a formula basis to entitled cities and counties to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons. The program is authorized under Title 1 of the Housing and Community Development Act of 1974, Public Law 93-383, as amended; 42 U.S.C. 5301 et seq.

Prior to 1974, numerous federal programs served to address community development issues. CDBG grew out of the consolidation of eight categorical programs under which communities competed nationally for funds. The consolidated programs include:

- Open Space
- Urban Renewal
- Neighborhood Development Program
- Historic Preservation grants
- Model Cities
- Public Facility Loan Program
- Neighborhood Facilities grants
- Water and Sewer grants

Eligibility for participation as an entitlement community is based on population data provided by the U.S. Census Bureau and metropolitan area delineations published by the Office of Management and Budget. HUD determines the amount of each entitlement grantee's annual funding allocation by a statutory dual formula which uses several objective measures of community needs, including the extent of poverty, population, housing overcrowding, age of housing and population growth lag in relationship to other metropolitan areas.

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## F. Florence and CDBG

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The Community Development Block Grant (CDBG) Consolidated Plan serves as the framework for a community-wide dialogue to identify housing and community development priorities that align and focus funding. The Consolidated Plan is carried out through Annual Action Plans, which provide a concise

summary of the actions, activities, and the specific federal and non-federal resources that will be used each year to address the priority needs and specific goals identified by the Consolidated Plan. Grantees report on accomplishments and progress toward Consolidated Plan goals in the Consolidated Annual Performance and Evaluation Report (CAPER).

The City of Florence contractually agrees with HUD to implement the Housing and Community Development Act of 1974 and related CDBG *program regulations* codified in 24 CFR 570. All CDBG *awards* are subject to the regulations detailed in OMB Circular 2 CFR Part 200.

The City of Florence utilizes CDBG funds to improve community facilities and services, revitalize neighborhoods, and expand affordable housing and economic opportunities that principally benefit, low- and moderate-income persons. The Office of Planning and Community Development administers the CDBG on behalf of the City. While some projects and programs (referred to as activities) funded by the CDBG are carried out internally, many are implemented through partnerships with non-profit subrecipient grantees.

The City of Florence, Alabama will follow its Citizen Participation Plan in conformance with all HUD requirements in giving notice annually of anticipated availability and proposed use of CDBG funds. Outside agency funding applications will be evaluated for eligibility and appropriateness of funding through CDBG, then forwarded to the City Council for approval.

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## G. Project Selection: *Six Key Steps*

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While there are many aspects that must be considered in selecting activities to assist under the CDBG program, there are **six key steps** in the City's process of determining if CDBG funds may be used to assist a proposed activity.

### 1. Project Selection Step One: *Eligible Activities*

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The first step is to determine if the activity is included within the listing of *eligible activities* in the CDBG statute, as amplified by regulation. Categories of basic eligibility authorized at the time of publication are described in the Eligible Activities section of the Manual.

The importance of using CDBG funds only for eligible activities is self-evident. This section highlights the most common CDBG activities. Other activities may also be eligible under the regulations. The Office of Planning and Community Development can determine activity eligibility through additional CDBG and HUD resources.

#### Public Services

CDBG funds may be used to provide public services. Supplemental activities to the public service including labor, supplies, materials and other costs are typically eligible as well. Expenditures for operating and maintaining the portion of a facility in which the service is located is also considered to fall under the basic eligibility category of Public Services, even if such costs are the only contributions made by CDBG for those services.

A statutory cap is placed on the amount of CDBG funds the City may obligate within a program year to support public service activities. This cap is calculated by HUD fiscal year, and funds spent in excess of the year's cap are ineligible.

#### [Public Service Activities Examples](#)

- 05A Senior Services
- 05B Handicapped Services
- 05C Legal Services
- 05D Youth Services
- 05E Transportation Services
- 05F Substance Abuse Services
- 05G Services for Battered, Abused Spouses
- 05H Employment Training
- 05I Crime Awareness/Prevention
- 05J Fair Housing Activities
- 05K Tenant/Landlord Counseling
- 05L Child Care Services
- 05M Health Services
- 05N Services for Abused, Neglected Children
- 05O Mental Health Services
- 05P Screening for Lead Poisoning
- 05Q Subsistence Payments
- 05R Homeownership Assistance
- 05S Rental Housing Subsidies
- 05T Security Deposits
- 05U Housing Counseling
- 05V Neighborhood Cleanups
- 05W Food Banks
- 03T Homeless/AIDS Patients Programs (operating costs)

#### Public Service Procedures

1. Review list of eligible activities listed in P & P and compare with matrix chart for options for meeting a national objective. Proposed project must be an eligible activity and be able to meet one of the options for national objective or it will not be funded.
2. Public Service will need to be either a new service or documented to not be CDBG funds supplanting another source of funding. If CDBG funds are provided to an existing public service funded by another government source, the applicant will need to demonstrate that the addition of CDBG funds will result in an increase in the level of service rather than simply replacing another source of funding.
3. Staff will select the most specific matrix code available for the type of service rather than use the general public service code
4. Project review should include accessibility of the location that services will be provided.

#### Public Facilities and Public Improvements

Public facilities and public improvements are broadly interpreted to include all site improvements and facilities that are either publicly owned or that are traditionally provided by government, or owned by a nonprofit, and operated so as to be open to the general public. CDBG funds may be used by the City or other public or private nonprofit entities for: Acquisition (including long term leases for periods of 15 years or more); Construction; Reconstruction; Rehabilitation (including removal of architectural barriers to accessibility), or Installation of public improvements or facilities (except for buildings for the general conduct of government).

The regulations specify that facilities that are designed for use in providing shelter for persons having special needs are considered to be public facilities (and not permanent housing), and thus are covered

under this category of basic eligibility. This category does *not* authorize expenditures for buildings for the general conduct of government, unless CDBG funds are being used to remove barriers from such buildings that restrict the mobility and accessibility of elderly or severely disabled persons. Expenditures associated with ongoing operation and maintenance costs are also not permitted.

#### Public Facilities and Public Improvements Examples

- 03A Senior Centers
- 03B Handicapped Centers
- 03C Homeless Facilities (not operating costs)
- 03D Youth Centers
- 03E Neighborhood Facilities
- 03F Parks or Recreational Facilities
- 03G Parking Facilities
- 03H Solid Waste Disposal Improvements
- 03I Flood Drainage Improvements
- 03J Water/Sewer Improvements
- 3K Street Improvements
- 03L Sidewalks
- 03M Child Care Centers
- 03N Tree Planting
- 03O Fire Stations/Equipment
- 03P Health Facilities
- 03Q Facilities for Abused and Neglected Children
- 03R Asbestos Removal
- 03S Facilities for AIDS Patients
- 03 Other Public Facilities/Improvements
- 16B Non-Residential Historic Preservation

#### Public Facilities Procedures

##### Eligible Activities

- Acquisition (including long term leases for periods of 15 years or more)
- Construction
- Reconstruction
- Rehabilitation (including removal of architectural barriers to accessibility)
- Installation

Review list of eligible activities listed in P & P and compare with matrix chart for options for meeting a national objective. Proposed project must be an eligible activity and be able to meet one of the options for national objective or it will not be funded. If a facility contains both eligible and ineligible uses the file will document how CDBG costs were prorated to demonstrate compliance

##### Ineligible Activities:

- Costs of operating or maintaining public facilities/improvements
- Purchase of construction equipment
- Costs of furnishings and other personal items
- New construction of public housing



- Buildings for the general conduct of government (other than removal of architectural barriers to accessibility)

### Housing Rehabilitation

CDBG funds may be used to finance the costs of the rehabilitation of residential property, whether privately or publicly-owned. In order to be eligible for CDBG funds, a residential property must be: a single- or multi-family residence; the principle residence of the property owner or lessee; a low- to moderate-income household. Long-term Affordability Restrictions may be imposed to preserve the federal investment and foster long-term affordable housing.

### Housing Rehabilitation Examples

- 14A Rehab: Single-Unit Residential
- 14B Rehab: Multi-Unit Residential
- 14C Rehab: Public Housing Modernization
- 14D Rehab: Other Publicly Owned Residential Buildings
- 14F Rehab: Energy Efficiency Improvements
- 14G Rehab: Acquisition
- 14I Lead-Based Paint/Lead Hazards Testing/Abatement
- 14J Housing Services
- 16A Residential Historic Preservation

### Housing Rehabilitation Eligible Costs

- **Labor, materials, supplies and other expenses** required for the rehabilitation of property, including repair or replacement of principal fixtures and components of existing structures (e.g., the heating system).
- **Property acquisition** – Assistance to private individuals and entities (whether profit or not-for-profit) to acquire for the purpose of rehabilitation and to rehabilitate properties *for use or resale for residential purposes*.
- **Security devices** – Installation costs of sprinkler systems, smoke detectors and dead bolt locks, and other devices for security purposes.
- **Insurance** – The costs of *initial* homeowner warranty premiums and, where needed to protect the grantee’s interest in properties securing a rehabilitation loan, hazard insurance premiums as well as flood insurance premiums for properties covered by the Flood Disaster Protection Act of 1973.
- **Conservation** – Costs required to increase the efficient use of water (e.g., water saving faucets and shower heads) and improvements to increase the efficient use of energy in structures through such means as installation of storm windows and doors, insulation, and modification or replacement of heating and cooling equipment.
- **Water and sewer** – Costs of connecting existing residential structures to water distribution lines or local sewer collection lines.
- **Barrier removal** – Costs to remove material and architectural barriers that restrict the mobility and accessibility of elderly and severely disabled persons to buildings and improvements that are eligible for rehabilitation under this category.

- **Landscaping, sidewalks, and driveways** – The costs of installation or replacement of landscape materials, sidewalks, and driveways *when incidental to other rehabilitation of the property*.
- **Renovation of closed buildings** – The conversion of a closed building from one use to another (e.g., the renovation of a closed school building to residential use).
- **Historic preservation** – This category also authorizes the costs of preserving or restoring residential properties of historic significance, whether privately- or publicly-owned.
- **Lead-based paint hazard evaluation and reduction** – The costs of evaluating and treating lead-based paint to address hazards and comply with the Lead Safe Housing Rule may be undertaken under this category whether alone or in conjunction with other rehabilitation.
- **Rehabilitation services** – Staff costs and related expenses required for outreach efforts for marketing the program, rehabilitation counseling, screening potential applicant households and structures, energy auditing, preparing work specifications, loan underwriting and processing, inspections, and other services related to assisting owners, tenants, contractors, and other entities who are participating or seeking to participate in rehabilitation activities under this category.

### [Economic Development](#)

Economic development can be interpreted very broadly to include all endeavors aimed at sustaining or increasing the level of business activity. CDBG distinguishes economic development activities and special economic development activities in the CDBG program.

Most CDBG activities could, under the right circumstances, be viewed as economic development. For example, the level of business activity in a jurisdiction could be helped through development of a community economic development plan, improvements to the public infrastructure, through better housing, or an enhanced level of public services.

In contrast, the term special economic development is used in the CDBG program to identify activities such as microenterprise assistance and technical assistance to nonprofits to build economic development capacity. CDBG funds may be used for special economic development activities provided sufficient *public benefit* to warrant assistance is evident. Under this type of assistance, measures shall be taken to minimize, to the extent practical, displacement of existing businesses and jobs in neighborhoods.

An economic development project in the CDBG program may be supported by a range of CDBG-funded activities, including both special economic development activities and other categories of basic eligibility, each of which must meet a national objective of the CDBG program.

### [Economic Development Examples](#)

- |   |  |
|---|--|
| ▪ 16B Non-Residential Historic Preservation | ▪ 17C CI: Building Acquisition, Construction, Rehabilitation |
| ▪ 17A CI: Acquisition/Disposition           | ▪ 17D CI: Other Improvements                                 |
| ▪ 17B CI: Infrastructure Development        |  |

### Special Economic Development Examples

1. Commercial or industrial improvements carried out by the grantee or a nonprofit recipient, including: Acquisition, Construction, Rehabilitation, Reconstruction, or Installation of commercial or industrial buildings or structures and other related real property equipment and improvements.
2. Assistance to private for-profit entities for an activity determined by the City to be appropriate to carry out an economic development project. This assistance may include, but is not limited to Grants; Loans; Loan guarantees; Interest supplements; Technical assistance; or Any other form except for those described as ineligible in 570.207(a), such as political activities.
  - 17B CI: Infrastructure Development
  - 18B ED: Technical Assistance
  - 18A ED: Direct Financial Assistance to For-Profits

### Microenterprise Assistance

Under this category, grantees and other public or private organization may use CDBG funds to facilitate economic development through the establishment, stabilization and expansion of microenterprises. “Microenterprise” means a business having five or fewer employees, one or more of whom owns the business. The business owner must also qualify as low/moderate income.

This category authorizes the use of CDBG funds to provide financial assistance to an existing microenterprise or to assist in the establishment of a microenterprise. It also authorizes the provision of technical assistance to a new or existing microenterprise or to persons developing a microenterprise, and general support to owners of microenterprises or to persons developing a microenterprise. The matrix code for this activity is 18C ED: Micro-Enterprise Assistance.

### Acquisition, Disposition, Clearance, & Relocation

The statute and regulation authorize the use of CDBG funds by a grantee or a public or private nonprofit entity to acquire real property in whole or in part by purchase, long-term lease, donation or otherwise. In order to be considered acquisition, a permanent interest in the property must be obtained. Long-term leases constitute a permanent interest for this purpose if the lease is for a period of 15 years or more.

More specifically, CDBG funds may be used under this category by: The City, another public agency, public, nonprofit entity; or private nonprofit entity to acquire real property for a public purpose. This public purpose will need to meet a National Objective for a minimum time period (depending on the amount of CDBG received).

### Acquisition Examples

Real property to be acquired other than land includes: air rights, easements, water rights, rights-of-way, buildings and other real property improvements, or other interests in the real property. Eligible costs under this category include the cost of surveys to identify the property to be acquired, appraisals, the preparation of legal documents, recording fees, and other costs that are necessary to effect the acquisition. The matrix code for this activity is 01 Acquisition of Real Property.

### Disposition Examples

Under this category, CDBG funds may be used to pay costs incidental to the disposal of real property acquired with CDBG funds, including its disposition at less than fair market value, provided the property will be used to meet a national objective of the CDBG program. The property may be disposed of by: sale, lease, donation, or other method.

CDBG funds may also be used under this category to pay reasonable costs of temporarily managing such property (or property acquired with Urban Renewal funds) until final disposition of the property is made.

Disposition costs include preparation for legal documents, as well as fees paid for: appraisals, surveys, marketing, financial services, and transfer taxes and other costs involved in the transfer of ownership of property. Care should be taken to avoid spending CDBG funds to manage properties for which there are no plans for disposition in the near future or where the market is such that it is not likely to be sold in the near future. The matrix code for this activity is 02 Disposition of Real Property.

### Clearance Examples

Under this category, CDBG funds may be used for: demolition of buildings and improvements; removal of demolition products (rubble) and other debris; physical removal of environmental contaminants or treatment of such contaminants to render them harmless; and movement of structures to other sites. The matrix code for this activity is *04 Clearance and Demolition; 04A Cleanup of Contaminated Sites*.

### Relocation Cost Examples

CDBG funds may be used for relocation payments and assistance to displaced persons, including: individuals, families, businesses, non-profit organizations, and farms.

CDBG activities that involve displacement or relocation (temporary or permanent) or the demolition or conversion of residential units occupied by low-income households must comply with the requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA). Under URA, grantees must minimize the displacement/relocation of persons. When relocation is needed, grantees must provide reasonable opportunity to lease and occupy a suitable, decent, safe, sanitary and affordable replacement dwelling. The grantee must also ensure that proper funds are available to comply with relocation regulations. All households participating in any CDBG funded program/project who may be eligible for relocation benefits must have their relocation rights explained. The matrix code for this activity is 08 Relocation

## 2. Project Selection Step Two: *Ineligible Activities*

The second step is to determine if the proposed activity falls within a category of explicitly ineligible activities, despite its apparent inclusion within an authorized category. For example, while public facilities are generically eligible for assistance with CDBG funds, there is an explicit statutory bar to providing assistance to “buildings for the general conduct of government” under the category of Public Facilities and Improvements.

The general rule in the CDBG program is that any activity that is not authorized under the provisions of §§ 570.201-570.206 (or, where applicable, the statute) is ineligible to be assisted with CDBG funds. Additionally, CDBG program regulations identify certain activities as categorically ineligible meaning the expenditure of CDBG funds is expressly prohibited. This section outlines specific activities that are

ineligible and provides guidance in determining the eligibility of other activities frequently associated with housing and community development.

### Categorically Ineligible

The following activities may not be assisted with CDBG funds under any circumstance:

1. *Buildings or portions thereof, used for the general conduct of government* as defined at §570.3 may not be assisted with CDBG funds. This does not include, however, the removal of architectural barriers involving any such building, which may be assisted under the category of Public Facilities and Improvements. Also, where acquisition of real property includes a building or other improvement that would be used for the general conduct of government, the portion of the acquisition cost attributable to the land may be assisted under the category of Acquisition of Real Property. Reference: §570.207(a)(1)
2. *General government expenses.* Except as otherwise specifically authorized in Subpart C of Part 570 or under OMB Circular A-87, expenses required to carry out the regular responsibilities of the unit of general local government are not eligible for assistance under this part. Reference: §570.207(a)(2)
3. *Political activities.* CDBG funds may not be used to finance the use of facilities or equipment for political purposes or to engage in other partisan political activities, such as candidate forums, voter transportation, or voter registration. However, a facility originally assisted with CDBG funds may be used on an incidental basis to hold political meetings, candidate forums, or voter registration campaigns, provided that all parties and organizations have access to the facility on an equal basis, and are assessed equal rent or use charges, if any. Reference: §570.207(a)(3)
4. *Administrative costs associated with the management of a non-profit.* For example, Executive Director salaries, travel, and planning costs.
5. *Food* not related to direct service delivery to clients.
6. *Furnishings* that are not integral structural fixtures.
7. *Income payments* and other subsistence payments made to individuals or a family.
8. Services or activities prohibited under state, local, or federal law.

### Generally Ineligible

The following activities may not be assisted with CDBG funds unless authorized as Special Economic Development Activities under §570.203 or when carried out by a CBDO under the provisions of §570.204.

1. *Purchase of equipment.* The purchase of equipment with CDBG funds is generally ineligible.
  - Construction equipment. The purchase of construction equipment is ineligible, but compensation for the use of such equipment through leasing, depreciation, or use allowances pursuant to OMB Circulars A-21, A-87, or A-122 as applicable for an otherwise eligible activity is an eligible use of CDBG funds. However, the purchase of construction equipment for use as part of a solid waste disposal facility is eligible under the category of Public Facilities and Improvements [see §570.201(c)].

- Fire protection equipment. Fire protection equipment is considered for this purpose to be an integral part of a public facility. Thus, purchase of such equipment would be eligible under the category of Public Facilities and Improvements including fire engines and specialized tools such as “jaws of life” and life-saving equipment as well as protective clothing worn by fire fighters [see §570.201(c)].
  - Furnishings and personal property. The purchase of equipment, fixtures, motor vehicles, furnishings, or other personal property not an integral structural fixture is generally ineligible. CDBG funds may be used, however, to purchase or to pay depreciation or use allowances (in accordance with OMB Circulars A-21, A-87, or A-122, as applicable) for such items when necessary for use by a recipient or its subrecipients in the administration of activities assisted with CDBG funds, or when eligible as firefighting equipment, or when such items constitute all or part of a public service pursuant to §570.201(e). Also, these items are eligible when carried out by a for-profit business as part of CDBG assistance under the authority of §570.203(b). Reference: §570.207(b)(1)
- *Operating and maintenance expenses.* The general rule is that any expense associated with repairing, operating, or maintaining public facilities, improvements, and services is ineligible. Specific exceptions to this general rule are operating and maintenance expenses associated with public service activities [see §570.201(e)], interim assistance [see §570.201(f)], and office space for program staff employed in carrying out the CDBG program (see §570.206). For example, the use of CDBG funds to pay the allowable costs of operating and maintaining a facility used in providing a public service (e.g., salaries, rent) would be eligible under §570.201(e), even if no other costs of providing the service there are assisted with such funds. Examples of operating and maintenance expenses that are generally ineligible include:
  - *Maintenance and repair* of publicly-owned streets, parks, playgrounds, water and sewer facilities, neighborhood facilities, senior centers, centers for persons with disabilities, parking, and other public facilities and improvements. Examples of maintenance and repair activities for which CDBG funds may not be used include the filling of pot holes in streets, repairing of cracks in sidewalks, the mowing of grass in city or county parks, and the replacement of street light bulbs.
  - *Payment of salaries* for staff, utility costs, and similar expenses necessary for the operation of public works and facilities. Reference: §570.207(b)(2)
  - *New housing construction* is not allowed under the Florence Community Development Block Grant due to budget restrictions.
  - *Income payments.* The general rule is that CDBG funds may not be used for income payments. For purposes of the CDBG program, “income payments” is defined as a series of subsistence-type grant payments made to an individual or family for items such as food, clothing, housing (rent or mortgage), or utilities, but excludes emergency grant payments made over a period of up to three consecutive months directly to the provider of such items or services on behalf of an individual or family. One time grants, emergency type grants, or loans for such purposes may be authorized under the category of Public Services [see §570.201(e)]. Reference: §570.207(b)(4)

## Faith-based organizations

In 2004, HUD issued guidelines for ensuring equal treatment of faith-based organizations. Faith-based organizations are encouraged to apply for CDBG funds provided that the activities funds with CDBG comply with the guidance outline in HUD CPD Notice 04-10 of September 29, 2004. Broadly, the notice provides the following rules:

1. Organizations may not use direct HUD funds to support inherently religious activities such as worship, religious instruction, or proselytization. Faith-based organizations may use HUD funds to support non-religious social services that are separate in time or location from their inherently religious activities.
2. Faith-based organizations, like all organizations implementing HUD-funded programs, must serve all eligible beneficiaries without regard to religion. Faith-based organizations may not require participants to attend or take part in any religious activities. Faith-based organizations may invite participants to religious activities that take place at a different time or location, but these participants must be reassured that their decision to participate or not will affect their ability to receive the service you are providing with HUD funds.
3. Faith-based materials, supplies, literature may not be acquired with HUD funds.
4. Faith-based organization may use HUD funds to pay the salary to staff or members of a faith-based organization provided that the staff or members do not engage in religious activities while being paid with public dollars.

## Public Service Cap

HUD regulations place a cap on the amount an entitlement agency may allocate towards Public Service programs. This means the City, as an entitlement entity, must calculate that cap in accordance with HUD requirements, and can only allocate that portion each year towards public services. The Florence Community Development staff calculates the public service cap prior to reviewing requests for funding applications so that we are aware of the available funds for that specific program year. All public services must be provided to low or moderate-income residents of the City of Florence.

## 3. Project Selection Step Three: *Meeting National Objectives*

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The third and arguably most important step is to determine if the proposed activity can meet one of the *national objectives* of the program.

The authorizing statute of the CDBG program sets forth the primary objective of the program as the development of viable communities by the provision of decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income. HUD furthers this objective by requiring that each funded activity meets one of three (3) named national objectives.

1. Benefit to low- and moderate- income (LMI) persons;
2. Aid in the prevention or elimination of slums or blight; and
3. Meet a need having a particular urgency (referred to as urgent need).

Each objective is further defined by categories to assist in identifying the most appropriate objective for each project and program.

### **Category 1: Area Benefit**

The area benefit category is the most commonly used national objective for activities that benefit a residential neighborhood that is primarily low-to-moderate income (LMI). An area benefit activity is one that benefits all residents in a particular area, where at least 51 percent of the residents are LMI persons.

Examples of area benefit activities may include the following when they are located in a predominately LMI neighborhood:

- Improvements to neighborhood parks;
- Improvements to public infrastructure like the installation of gutters and sidewalks;
- Development of a community center to provide services to neighborhood residents.

### **Area Benefit Procedures**

- Narrative must define project specific service area including considering competing options such as alternative area park facilities when defining the neighborhood park service area. Also consider if the service area is truly limited or will this serve the larger community; Area benefit services need to be available to all within the service area – otherwise it would be limited clientele.
- The review will identify the matrix code for the eligible activity and determine if the national objective proposed is eligible for that specific activity.
- All Area Benefit files will need to include either census data that matches the defined service area or survey documentation following HUD guidance on survey methodology.
- File will need to demonstrate service area is at least 51% LMI and does not include the central business district.

### **Category 2: Limited Clientele Benefit**

Activities in this category provide benefits to a specific group of persons rather than everyone in an area. It may benefit particular persons without regard to their residence, or it may be an activity that provides a benefit to only particular persons or population area. Under this category, 51 percent of the beneficiaries of an activity have to be Low to Moderate Income persons. In contrast to the area benefit category, it is not the LMI concentration of the service area of the activity that determines whether the activity will qualify or not, but rather the actual number of LMI persons that benefit from the activity.

Examples include:

- Homeless Shelters & Case Management
- Youth Centers & Youth Programs
- Daycares, Childcare Services, and Afterschool Programs
- Domestic Violence Safe Homes & Programs



### Limited Clientele Procedures

- Application must define the clientele that is being served by the facility and demonstrate how the activity is both an eligible activity and meets a national objective.
- The review will identify the matrix code for the eligible activity and determine if the national objective proposed is eligible for that specific activity.
- Narrative will define the target beneficiary group and define whether this will be 100% LMI or if files will demonstrate 51% of served are LMI;
- Recipient will be required to submit documentation of the proposed families/households to be served to demonstrate at least 51% LMI or to collect documentation and report to demonstrate compliance with this requirement;
- Presume Clientele may be eligible based on the HUD defined presumed categories. If presumed classification is used the IDIS LMI % entry will be based on the predetermined LMI percentages set by HUD as listed in the IDIS online manual;
- Micro enterprise assistance provided under limited clientele will document that the owner(s) qualify as LMI.

### Category 3: Housing Benefit

The housing category of LMI benefit national objective qualifies activities that are undertaken for the purpose of providing or improving permanent residential structures which, upon completion, will be occupied by LMI households. In order to meet the housing LMI national objective, structures with one unit must be occupied by a LMI household. If the structure contains two units, at least one unit must be LMI occupied. Structures with three or more units must have at least 51 percent occupied by LMI households.

### Housing Procedures

- The review will identify the matrix code for the eligible activity and determine if the national objective proposed is eligible for that specific activity.
- A single unit property must be occupied by an LMI household; a two-unit property must have one unit occupied by an LMI household; and with 3 or more units at least 51% of the units must be occupied by LMI households
- If the property includes vacant units the written agreement with the owner will put in place requirements for who will be able to occupy the currently unoccupied unit.

### Category 4: Jobs Benefit

The job creation and retention LMI benefit national objective addresses activities designed to create or retain permanent jobs (such as business loans), at least 51 percent of which (computed on a full-time equivalent basis) will be made available to or held by LMI persons. The following requirements must be met for jobs to be considered created or retained.

- If grantees fund activities that *create* jobs, there must be documentation indicating that at least 51 percent of the jobs will be held by, or made available to, LMI persons.

- For funded activities that *retain* jobs, there must be sufficient information documenting that the jobs would have been lost without the CDBG assistance and that one or both of the following applies to at least 51 percent of the jobs: the job is held by a LMI person; or the job can reasonably be expected to turn over within the following two years and steps will be taken to ensure that the job will be filled by, or made available to, a LMI person.
- Job counting will continue as long as the jobs being added are believed to be related to the investment of CDBG funds.

For the purpose of determining if the preceding requirements are met, a person may be presumed to be LMI if they:

- Reside in a Census tract/block numbering area that has a 20 percent poverty rate (30 percent poverty rate if the area includes the central business district); and the area evidences pervasive poverty and general distress; or
- Reside in a Census tract/block numbering area where at least 70 percent of the residents are LMI.

As a general rule, each assisted business shall be considered to be a separate activity for purposes of determining whether the activity qualifies under the job creation and retention category for meeting a national objective. However, in certain cases, such as where CDBG funds are used to acquire, develop or improve a real property (e.g., a business incubator or an industrial park), the requirement may be met by measuring jobs in the aggregate for all the businesses that locate on the property, provided such businesses are not otherwise assisted by CDBG funds. Additionally, where CDBG funds are used to pay for the staff and overhead costs of an entity making loans to businesses from non-CDBG funds, this requirement may be met by aggregating the jobs created by all of the businesses receiving loans during any program year.

#### Category 5: Slum Blight Area Basis (SBA)

This category covers activities that aid in the prevention or elimination of slums or blight in a designated area. When undertaking residential rehab in a slum/blight area, the building must be considered substandard under local definition and all deficiencies making the building substandard must be eliminated before less critical work is undertaken. To qualify under this category, the area in which the activity occurs must be designated as slum or blighted. The following tests apply:

- The designated area in which the activity occurs must meet the definition of a slum, blighted, deteriorated or deteriorating area under state or local law;
- Additionally, the area must meet either at least one of these conditions:
  1. Public improvements throughout the area are in a general state of deterioration; or
  2. At least 25 percent of the properties throughout the area exhibit one or more of the following:
  3. Physical deterioration of buildings/improvements;
  4. Abandonment of properties;
  5. Chronic high occupancy turnover rates or chronic high vacancy rates in commercial or industrial buildings;

6. Significant declines in property values or abnormally low property values relative to other areas in the community; or
  7. Known or suspected environmental contamination.
- Documentation must be maintained by the grantee on the boundaries of the area and the conditions that qualified the area at the time of its designation. The designation of an area as slum or blighted must be re-determined every 10 years for continued qualifications.

#### Category 6: Slum Blight Spot Basis (SBS)

These are activities that eliminate specific conditions of blight or physical decay on a spot basis and are not located in a designated slum or blighted area. In order to be eligible for assistance, the hazards and decay at the location must be able to be readily documented (such as through citations from the City's Department of Inspections and Standards for severe code violations). Activities under this category are limited to acquisition, clearance, relocation, historic preservation, remediation of environmentally contaminated properties, and building rehabilitation activities. Furthermore, rehabilitation is limited to the extent necessary to eliminate a specific condition detrimental to public health and safety.

- The review will identify the matrix code for the eligible activity and determine if the national objective proposed is eligible for that specific activity.
- File documentation will demonstrate the basis for the spot slum blight basis and show that the CDBG funds are restricted to addressing the blighting influences.

#### Category 7: Urgent Need (URG)

Use of the urgent need national objective category is rare. It is designed only for activities that alleviate emergency conditions. Urgent need qualified activities must meet the following criteria:

- The existing conditions must pose a serious and immediate threat to the health or welfare of the community;
- The existing conditions are of recent origin or recently became urgent (generally, within the past 18 months);
- The City or agency is unable to finance the activity; and
- Other sources of funding are **not** available.

#### Examples of urgent need activities may include:

- Acquisition of property located in a flood plain that was severely damaged by a recent flood;
- Public facility improvements like the reconstruction of a publicly-owned hospital that was severely damaged by a tornado;
- Demolition structures that are severely damaged by a major earthquake;
- Public services like additional police protection to prevent looting in an area damaged by a recent hurricane;
- Interim assistance such as emergency treatment of health problems caused by a flood;
- Special economic development assistance to a grocery store that was damaged by an earthquake

- Health or outreach services to alleviate a public health emergency during a declared State of Emergency.

#### Urgent Need Procedures

- Application review for Urgent Need will verify that the need is of a recent nature and that other funds are not available to address the need;
- Urgent Need could only be used if the City had included Urgent Need within the Action Plan or amended the Action Plan to include this option.
- Generally, the city will not use urgent need if the activity could be funded under another national objective.

#### 4. Project Selection Step Four: Cost Reasonableness

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The fourth step is to review proposed costs of the activity to determine if they appear to be *necessary and reasonable* and will otherwise conform with the requirements of 24 CFR Part 200.

It is important to remember that the information requested herein is based on Federal requirements. However, the City of Florence can assist subrecipients with understanding the basic principles of *cost reasonableness* as well as methods for determining such. Cost Reasonableness is generally defined either through the procurement process of determining the lowest responsive and responsible bidder through a competitive bidding process or through a cost evaluation process.

#### Federal Procurement Requirements

All procurements made by City of Florence involving the expenditure of local, state and federal funds as a part of a CDBG Project must be conducted in a manner that ensures full and open competition consistent with the standard set forth in 2 CFR Part 200. Procurement transactions, regardless of method or dollar value, will maximize open and free competition. The City or its subrecipients shall not engage in procurement practices that may be considered restrictive in trade.

#### Methods for Procurement

Procurements shall be made by one of the following methods: (a) small purchase procedures, (b) competitive sealed bids, (c) competitive negotiation; (d) non-competitive negotiation.

#### Competitive Negotiation

This method of procurement is used if the selection can be based on factors other than cost, such as experience and capacity. Procurement of architectural, engineering, planning and administrative services may fall under this category. Only fixed-price contracts or hourly contracts with a not-to exceed figure may be awarded. Competitive negotiations are initiated by publishing a Request for Proposals (RFP) or Request for Qualifications (RFQ). The RFP is used when price is a factor in selection; the RFQ is used when price is considered after selections (generally only for engineering services). In both the RFP and RFQ, all significant evaluation factors and their relative importance should be clearly stated. In addition, the City will provide or make available any materials such as reports, maps, and site plans to assist interested firms in preparing responsible submissions.

The following requirements apply to the competitive negotiations procurement process:

- The RFP or RFQ must be advertised in the newspaper of largest circulation in the jurisdiction at least one time for not less than seven days or more than 21 days before the date set for the opening of proposals.
- The City will include MBE and WBE firms on solicitation lists and send them the RFP or RFQ.
- If an RFP is used, it should specify the scope of services to be provided and the type of contract to be used, which should be either fixed price or an hourly rate with a not to exceed figure.
  - An RFP should also:
    - Specify that cost and pricing data is required to support the proposed cost;
    - State anticipated start and completion dates; and
    - List evaluation criteria that will be used in ranking proposals.
  - The RFP or RFQ must also be distributed to a list of qualified firms.
  - All proposals received must be reviewed and ranked according to the selection criteria, and the review must be documented in writing.
  - There must be at least two proposals from qualified sources to permit reasonable competition.
- For both RFPs and RFQs, selection is made on the basis of the most responsible offer or price with consideration given to the factors identified in the RFQ or RFP.
- For RFQs, an invitation is then made to one or more respondents to negotiate a price or fee.
- Document the reason the firm is chosen and that the price established is reasonable.
- The City will maintain documentation of cost reasonableness for all services and reasons for selection.
- City will complete the SAM screening for contractor eligibility and if eligible, prepare and sign a contract formalizing a scope of work and the terms of compensation.
- The City will promptly notify unsuccessful requestors.

### Non-Competitive Negotiations

Non-competitive negotiation is procurement through solicitation of a proposal from one source, and is often referred to as sole source procurement. A contract may be awarded by noncompetitive negotiation only when the award is infeasible under small purchase procedures, competitive sealed bids, or competitive negotiations and one of the following circumstances applies:

- There is a public emergency that will not permit delay resulting from competitive solicitation (the City must declare an emergency as authorized by law); or
- The results of the competitive negotiations are inadequate; or
- The product or service is available only from a single source.

Prior to conducting negotiations with a sole source the city is required to contact HUD for authorization to proceed with a noncompetitive procurement. The city will issue a request to HUD outlining the lack of a competitive environment for this purchase, the city's efforts to market the bidding opportunity to

receive an adequate number of bids, and the basis by which the city believes this meets the conditions of a non-competitive negotiation. Only if HUD provides permission will the city proceed with negotiations with a sole source.

- Negotiations must be conducted with the selected company regarding a scope of work and price;
- Preparation and signing of a contract formalizing a scope of work and the terms of compensation is required.

### Cost Evaluation

2 CFR 200.318 requires grantees to perform a cost or price analysis in connection with every procurement action, including competitive sealed bids. Too often, inadequate or incorrect cost analyses result in cost estimates that are too low and, consequently, low bids coming in over budget. Such bid overages can unnecessarily delay time-sensitive projects, and rectifying the overage is often costly and time consuming. The city will carefully conduct and review their cost estimates and to utilize safeguards such as deductible alternates in order to minimize the risk of overages that will require a rebid. Despite careful cost analyses and safeguards, there are occasions when all bids will exceed available project funds.

### Options:

The City will follow one of the following options for awarding a bid following an overage:

- Obtaining additional funds from another source and continuing with the original IFB.
- Reject all bids, review and update as needed the project scope and bid specifications, and issue a revised IFB (competitive sealed bid) open to the entire public; or
- Conducting competitive negotiations with all bidders.
- If discussions pertaining to the revision of the specifications or quantities are held with any bidder, all of the bidders shall be afforded an opportunity to take part in such discussions.
- After discussions with all bidders, the City will revise the scope of work accordingly and issue an IFB open to all bidders, providing for expedited proposals. No advertisement is required, but the City will allow at least seven days for all bidders to submit proposals.
- The IFB would then be awarded on the basis of lowest bid price.

### Methods of Determining Cost Reasonableness

Determination of reasonableness through *price or cost analysis* must be performed in connection with every procurement action, regardless of whether the organization is a vendor or a subrecipient. The form and degree of analysis, however, are dependent on the particular subcontract or purchase, and the pricing situation.

In some purchases, price analysis alone will be sufficient; in others, price analysis will be used to corroborate the conclusions arrived at through cost analysis. The form and degree of analysis are dependent on facts surrounding a particular subcontracting or purchasing situation.

The scope of price analysis performed and the particular techniques used will depend on whether or not cost analysis is done, as well as on such factors as type of product or service, dollar value, purchase method, and extent of competition. The words “vendor” and “subcontractor” used herein are interchangeable.

## Price Analysis

Price Analysis is the process of deciding if the asking price for a product or service is fair and reasonable, without examining the specific cost and profit calculations the vendor used in arriving at the price. It is basically a process of comparing the price with known indicators of reasonableness. When adequate price competition does not exist, some other form of analysis is required. Some reasons that could affect adequate price competition are: specifications are not definitive, tolerances are restrictive, or production capacity limits those eligible to bid.

Examples of other forms of price analysis information include:

- analysis of previous prices paid
- comparison of vendor's price with the in-house estimate
- comparison of quotations or published price lists from multiple vendors
- comparisons with GSA prices

## Cost Analysis

*Cost Analysis* is the element-by-element examination of the estimated or actual cost of contract performance to determine the probable cost to the vendor. The goal is to form an opinion on whether the proposed costs are in line with what reasonably economical and efficient performance should cost. Cost or pricing data, which should be provided by the subcontractor, are the means for conducting cost analysis. Such data provide factual information about the costs that the subcontractor says may be incurred in performing the contract. Cost analysis should be performed in those situations where price analysis does not yield a fair and reasonable price and where cost data are required in accordance with prime contract clauses.

Cost analysis techniques are used to break down a contractor's cost or pricing data so as to verify and evaluate each component. Some of the cost elements examined for necessity and reasonableness are materials costs, labor costs, equipment and overhead. These costs can be compared with actual costs previously incurred for similar work, the cost or pricing data received from other vendors, and independent cost estimate breakdowns.

## 5. Project Selection Step Five: *Expenditure Analysis*

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The fifth step involves analyzing overall program expenditures to ensure compliance with Section 104(b)(3)(A) of the Housing and Community Development Act of 1974. The Act requires the City to certify that, in the aggregate, 70% of CDBG expenditures to be representative of activities considered beneficial to low- and moderate-income persons over its specified program years.

## 6. Project Selection Step 6: *Environmental Review*

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The sixth step is to complete the *environmental review* and clearance procedures for the project of which the activity is a part. Those procedures are set forth in 24 CFR Part 58. HUD is prohibited by law from releasing funds for a CDBG activity until the City certifies that it has met its responsibilities with respect to environmental protection.

According to the National Environmental Policy Act (40 CFR 1500-1508) and Part 58, the subrecipient is required to ensure that environmental information is available before decisions are made and before

actions are taken. In order to achieve this objective, Part 58 prohibits the commitment or expenditure of CDBG funds until the City has completed the environmental review process.

1. Subrecipient may not spend either public or private funds (CDBG, other Federal or non-Federal funds), or execute a legally binding agreement for property acquisition, rehabilitation, conversion, repair or construction pertaining to a specific site until environmental clearance has been achieved.
2. Grantees must avoid any and all actions that would preclude the selection of alternative choices before a final decision is made – that decision being based upon an understanding of the environmental consequences and actions that can protect, restore and enhance the human environment (i.e., the natural, physical, social and economic environment).
3. Activities that have physical impacts or which limit the choice of alternatives cannot be undertaken, even with the grantee or other project participant's own funds, prior to obtaining environmental clearance.
4. For the purposes of the environmental review process, "commitment of funds" includes:

- a. Execution of a legally binding agreement (such as a property purchase or construction contract);

It is acceptable for grantees to execute non-legally binding agreements prior to completion of the environmental review process. A non-legally binding agreement contains stipulations that ensure the project participant does not have a legal claim to any amount of CDBG funds to be used for the specific project or site until the environmental review process is satisfactorily completed.

- b. Expenditure of CDBG funds;
- c. Use of non-CDBG funds on actions that would have an adverse impact--- e.g., demolition, dredging, filling, excavating; and
- d. Use of non-CDBG funds on actions that would be "choice limiting" --- e.g., acquisition of real property; leasing property; rehabilitation, demolition, construction of buildings or structures; relocating buildings or structures, conversion of land or buildings/structures. Questions or concerns surrounding Choice Limiting Actions and environmental review timeline should be discussed with the Program Specialist early in the process.

### Exemptions

Certain activities which by their nature are unlikely to have any direct impact on the environment may be exempt from the procedural requirements of environmental review. If a project is determined to be exempt, CDD will document the conditions for exemption in writing. Listed below are examples of activities which may be exempt from environmental review.

- Public service activities with no physical impact or result in any physical changes;
- Information and financial services;
- Engineering and design costs;
- Environmental and other studies;



- Inspections and testing of properties for hazards or defects;
- Purchase of tools or insurance;
- Technical assistance or training.

## 7. Project Selection Step 7: *Enter IDIS*

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The seventh step is to input projects and activities into IDIS. The Community Development Division staff will enter permitted projects in IDIS once contracts have been approved by the City Council. Projects will be entered with the information submitted in Neighborly by the requestor.

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## H. Project Administration

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Entitlement communities like Florence develop their own CDBG programs and funding priorities ensuring that the maximum feasible priority is given to activities which benefit low- and moderate-income persons. Citizens and HUD entrust the City of Florence and Planning and Community Development Division as stewards of this public resource, and, as such, has the responsibility to deploy those resources in the most effective manner. This requires not only supporting innovative projects and programs, but also fostering continuous improvement in its operations to improve administrative oversight and positive outcomes.

### 1. Project Administration: *Income Requirements*

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HUD regulations require provision of service to persons of low and moderate income. Low – and Moderate - Income Persons are defined as households falling under 80% of the Area Median Income. *HUD publishes an income limits table annually.* It is the responsibility of the subrecipient grantee to **adhere** to the income limit guidelines and **document** that the beneficiaries of the CDBG activity being funded are indeed low to moderate income.

#### Documenting Income

Source documentation is required to determine household income and household size. Typical source documentation includes: current income tax returns, current social security statements, and/or current disability statements. Documents used to determine income must be retained in the client file. Use the current HUD income limits table to select the corresponding income level and add to the client file as well.

- Extremely low-income is defined as a household with adjusted gross income that does not exceed 50% of area median income as defined by HUD (i.e. <30% AMI).
- Low-income is defined as a household with adjusted gross income that does not exceed 50 percent of area median income (i.e. 30-50% AMI).
- Moderate-income is defined as a household that has an income that does not exceed 80 percent of area median income (i.e. 50-80% AMI).
- Third party verification and source documentation may be required for LMC activities if the activity includes a direct financial benefit (i.e. emergency rent or utility payments). Please consult the Office of Planning and Community Development to determine appropriate level of income verification for an LMC project.

Subrecipients of the Florence Community Development Block Grant are required to utilize the HUD Exchange income calculator and print out that documentation for each file. The calculator may be found here: <https://www.hudexchange.info/incomecalculator/>

### Income Documentation Matrix

Income Documentation Tool	Income Documentation Data	Project Period
Description of Service Area	Map with Boundaries (CPD Maps)	At Project Conception
Proof service area is primarily residential	Income Characteristics (Census)	At Project Conception
Individuals served with financial assistance	3 <sup>rd</sup> Party Verification	At Intake
Individuals served with other services	Self-Certification of Income	At Intake
Households served	3 <sup>rd</sup> Party Verification	Min. 6 months prior to occupancy
Job creation – new hire w/financial assistance	3 <sup>rd</sup> Party Verification	Upon hiring
Job creation – new hire w/other services	Self-Certification of Income	Upon hiring
Job retention – new hire w/financial assistance	3 <sup>rd</sup> Party Verification	At project end
Job retention – new hire w/other services	Self-Certification of Income	At project end

### Income Exceptions

The following groups are presumed by HUD to meet the income criterion and therefore no proof of income is required. However, when using the presumption subrecipients will reference the IDIS income % standard for each of these groups when reporting the LMI group served.

- Abused children
- Battered spouses
- Elderly persons
- Severely handicapped persons
- Homeless persons
- Illiterate persons, and migrant farm workers.

### 2. Project Administration: *Recordkeeping*

All CDBG files must be maintained for a minimum of five years after the City’s grant year close out with HUD (which may be several years after an individual grant closeout). The City of Florence will regularly alert Subrecipients when a grant year has been closed out, but they should expect to retain records at least ten years from contract signing.

Each file should contain the following records at a minimum:

- Completed application from Neighborly
- Fully executed agreement with the City
- Procurement and bid documentation for all purchases
- Contracts with vendors

- Original budget
- Approved budget amendments
- Expenditure and payment information including supporting documentation
- Characteristics and location of clients served
- Program status and progress reports
- Audits
- Monitoring reports
- Other relevant correspondence

### Access to Records

HUD and the Office of the Inspector General of the United States, or their authorized representatives, have the right to access subrecipient agency program records. All CDBG grantees are required to provide citizens with reasonable access to records regarding the current funded programs and past, consistent with applicable State and local laws regarding privacy and confidentiality.

Information may be provided utilizing aggregate statistics. No personal information is to be released. Client demographics may be categorized. *For example, a report may state: 150 clients served this month, 60 Caucasian, 60 African American, 15 Native Americans, 15 Asian. Of those clients, 25 were female head of household, 30 were Veterans, 100 were very low income, and 50 were moderate income.*

### Accounting Records

Financial record keeping is one of the primary areas subject to HUD reviews and one which, if inadequate, can lead to serious problems and the possible repayment of funds. Accounting systems shall provide reliable, complete, and up to date information about sources and uses of funds. Records pertaining to CDBG activities shall be kept separately, keeping control over all grant funds, property/equipment, and other assets purchased with CDBG funds. A separate fund should be kept for all grant income and expenses.

The following financial information and records must be maintained:

1. A computer accounting system that records the source of income and categorizes expenses for grant activities.
2. Written accounting procedures, chart of accounts, written internal controls, administrative controls, accounting journals and ledgers;
3. Payment requests and source documentation (bills, receipts, copies or cancelled checks, etc.);
4. Comparison of actual checks written with budgeted amounts for each grant;
5. Written procedures for determining what's reasonable and allowable under OMB circulars for costs and activities;
6. Procurement files (bids, contracts, etc.) and real property inventory;
7. Bank account and payroll records; &
8. Financial statements, correspondence and audit files.

## Accounting System

Subrecipients are required to have accounting records that adequately identify the source and application of CDBG funds provided to them. To meet this requirement, a Subrecipient's accounting system, at a minimum, must include the following elements:

1. **Chart of Accounts** - This is a list of names and the numbering system for the individual accounts that contains the basic information about particular classifications of financial transactions for the organization. A typical chart of accounts might have, for example, separate account categories for describing assets (cash in a checking account, accounts receivable, pre-paid insurance, etc.); liabilities (loans, accounts payable, obligated funds, etc.); revenue (drawdowns from CDBG awards, cash contributions, proceeds from sales, other program income, etc.); and expenses (rent, wages, utilities, phones, etc.).
2. **Cash Receipts Journal** - This journal documents (in chronological order) when funds were received, in what amounts, and from what sources. Every transaction is initially recorded in a journal. Therefore, a journal is called a record or book of original entry. Each entry in the journal states the names of the individual accounts to be debited and credited, the dollar amount of each debit and credit, the date of the transaction, and any other necessary explanation of the transaction. Information for a journal entry can come from a variety of sources, such as checks issued or received, invoices, cash register tapes, and time sheets.
3. **Cash Disbursements Journal** - This journal documents the expenditures of the organization in chronological order (e.g., when the expense was incurred, how much was spent, to whom it was paid, and for what purpose).
4. **Payroll Journal** - This journal documents the organization's expenses on salaries and benefits, and distinguishes different categories for regulatory purposes.
5. **General Ledger** - After a transaction is entered in a journal, that information also should be transferred to the proper accounts in the general ledger. The general ledger summarizes in chronological order the activity and financial status of all the accounts of an organization. The process of transferring transaction information from a journal to a ledger is known as "posting". The entries in the journal and ledger should be cross-indexed to permit the tracing of any recorded transaction (i.e., an "audit trail").
6. **Payroll Records** – The largest component of direct cost associated with most awards received by nonprofit organizations is labor. Personnel activity reports or equivalent documentation must meet certain standards. Reports must reflect an after the fact determination of the actual activity of each employee. Reports must be signed by the individual employee, and by a responsible supervisory official having firsthand knowledge of the activities performed by the employees. Further, the proposed distribution of activity should represent a reasonable estimate of the actual work performed by the employee during periods covered by the award.

Subrecipients are required to maintain payroll reports detailing gross salaries, all withholding and employer payments - Medicare, Social Security, SIRS or Workman's Compensation Insurance and health insurance. Non-profits are exempt from federal unemployment tax; however, they are liable for state unemployment reports.

Appropriate payroll documentation is required to seek reimbursement through federal funds for employee pay and related fringe. Employees must be correctly classified and compensated in accordance with state and federal regulations. 1099 workers are considered consultants, and therefore subject to procurement regulations.

Hours worked on the grant must be indicated on the report with proper documentation— time cards and/or time to project logs are required (“time and effort “reporting). Employees must keep track of time spent working on CDBG related activities during the work day. Employee time records must be certified by the employee and approved by a supervisor.

7. **Property Register** - To adhere to requirements outlined in the Revisions to 24 CFR Part 570 at subpart J, a listing of all property and/or equipment purchased with Federal grant funds in the amount of \$5,000 or more must be maintained. All use and proposed dispositions of grant-funded property is governed by the provisions under the revisions to 24 CFR Part 570 at subpart J.

### 3. Project Administration: Reporting

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CDBG Subrecipients are contractually required to submit three (3) types of reports at specific times during the program year. *Status Reports, Program Closeout Reports, and Financial Closeout Reports*

#### Status Reports

Status reports are due quarterly on the 15<sup>th</sup> day of the applicable month. The quarterly status report explains the progress the program has made in relation to the goals and performance indicators outlined in the *Scope of Work*. The quarterly report must be submitted on the form provided by the City, unless approved in writing, in advance. No other format will be accepted. Failure to submit quarterly reports may result in delayed reimbursements.

Reports must include the number of clients served along with their income, race/ethnicity, and status of head of household. HUD has implemented a race and ethnicity reporting system requiring subrecipients to report race first and ethnicity second. Data must be unduplicated (i.e., a client receiving service three times should not appear once on the quarterly report) and such client should not appear again on any subsequent quarterly report during the program year. However, should a previously assisted client receive benefits in a subsequent grant year, the client shall be reported upon as if new.

#### Program Closeout Reports

Programmatic close-out consists of but is not limited to the following:

- Review and verification of annual client statistical and narrative report due 15 days after the end of the program year – May 15th.
- Review of subrecipient record keeping system such as activity documentation; personnel files; inventory control files; evaluation of activity and program accomplishment.

#### Financial Closeout Reports

Financial close-out consists of but is not limited to the following:

- Review and verification of information submitted in the final drawdown request.

- Review of subrecipient record keeping system such as: accounting records and ledgers; source documentation (invoices, time cards, canceled checks, etc.); budget documentation (modifications, etc.); equipment purchases
- Evaluation of activity financial accomplishment

#### 4. Project Administration: *Client Eligibility*

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In order for an activity to be eligible to receive Community Development Block Grant (CDBG) funds, at least 51% of the participants or recipients must have income that is less than 80% of the current median threshold income as determined annually by HUD and subrecipients are responsible for ensuring they are using the most current income limit. Beneficiaries must demonstrate to the Subrecipient that they meet the income requirements through 3rd party documentation whenever possible (paystubs, benefit letters, etc.).

When 3rd party verification is not possible, a client may sign a certification indicating their income. A sample certification is included below. These self-certifications must include language notifying them of the potential penalties under federally-assisted programs for making false statements, and that they must consent to verification upon request.

##### Client Certification of Income and Household Size

The program under which you are receiving assistance is funded in part or wholly with Federal HUD funds. In accordance with the federal regulations governing the use of these funds, please supply the information requested below. This information is confidential and only for use by the public agencies providing the funding and overseeing your case.

- |                            |                                   |
|----------------------------|-----------------------------------|
| ▪ Client name and address  | ▪ Income of all Household members |
| ▪ Gender                   | ▪ Household Size                  |
| ▪ Ethnicity/race           | ▪ Languages Spoken                |
| ▪ Head of household status |                                   |

##### Sample Certification Language

*I/We certify that the information given on household composition and income is accurate and complete to the best of my/our knowledge and belief. I/We understand that false statements or information are punishable under Federal law. I/We also understand that false statements or information are grounds for termination of assistance. I hereby certify that my household size and income are as stated above. I consent to verification of this information by the service provider, the City of Florence, or other governmental officials as required.*

#### 5. Project Administration: *Client Documentation*

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Each Subrecipient is required to maintain documentation on clients benefiting from activities and programs funded through the City's CDBG program. As a condition of receiving the HUD grant, the City, and in turn the Subrecipient, must certify that low- and moderate-income persons are being served. HUD also requires information on the race and ethnic background of the clients, how many are female heads of households, their residency in the City, and how many are very- low income. The Office of Planning and Community Development and HUD must also have access to the names and addresses of the clients. Any

information regarding applicants for services funded through federal monies shall be held in strict confidence.

### Required Documentation

All Subrecipients must obtain and maintain at their local offices, the following information on each client served:

- Client name and address;
- Gender;
- Ethnicity/race;
- Head of household status;
- Income.
- Languages Spoken

### Exceptions to Income Documentation

HUD does not require collection or retention of income documentation for the following “presumed benefit” client types:

If Presumed Benefit Client Type is:	And activity is:	Then, Report Income Level as:
Abused children	n/a	Extremely low income
Battered spouses	n/a	Low income
Severely disabled adults	n/a	Low income
Homeless persons	n/a	Extremely low income
Illiterate adults	n/a	Low income
Persons with AIDS	n/a	Low income
Migrant farm workers	n/a	Low income
Elderly	See note 1	Moderate income
Elderly	See note 2	Low income

*Note 1: assistance to acquire, construct, convert, +/- or rehabilitate a senior center or to provide center-based senior services.*

*Note 2: assistance for other services (not senior center-based).*

## 6. Project Administration: *Client File Organization*

Subrecipients should structure their project/program files and other records to comply with the general requirements as discussed in this manual. All CDBG files must be maintained for a minimum of five years after the City's grant year close out with HUD (which may be several years after an individual grant closeout). The City of Florence will regularly alert Subrecipients when a grant year has been closed out, but they should expect to retain records at least ten years from contract signing. In setting up a program or client file, the following may be helpful:

### Program File Contents

1. Original executed copy of the agreement with the city
2. Any amendments to the application and agreement
3. Correspondence relating to the grant award
4. Copies of Requests for Reimbursement
5. Any other information pertinent to the CDBG Grant
6. Program measurable goals and expectations

### Client File Contents

1. An application for assistance, if applicable
2. Client Income Documentation or Certification Form
3. Documentation as to services provided to the client and any outcomes of service, for example, if a client is referred to another agency for services, a follow up contact is required to document the services the client received
4. Copies of any program requirements
5. Pre and post program evaluations, if applicable.

### Protection of Personally Identifiable Information (PII)

In the normal course of grant administration, the City of Florence may receive personally identifiable information (PII), such as names, addresses, income verification documents, disability status, employment status, etc., from applicants and/or beneficiaries. CDBG and CDBG activities that are most likely to result in receipt of PII include: housing, direct emergency assistance, small business assistance, and public services. The City of Florence will take the following steps to protect personal identifiable information:

- Maintain hard copies of PII records in secure cabinets
- Password protect electronic folders and/or files containing PII
- Redact PII or utilize client ID numbers if safety or HIPAA concerns apply to protect confidentiality.



- Filing cabinets and electronic passwords are shared with assigned staff only. The City of Florence releases records containing PII upon request, after verification, by the following entities:
- If records containing PII are subject to Freedom of Information Act or Alabama Access to Public records requests, such records shall only be released in accordance with state and federal law.
- All active files are maintained in limited access areas. Office areas containing paper records are accessible to employees only.
- Electronic records are stored on restricted access shared drives supported by city servers.

## 7. Project Administration: *Construction Activities*

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All construction activities shall commence in accordance with the following pathway:

### Step 1: *Pre-Bid*

The City of Florence will hold a Pre-Bid Meeting with the subrecipient to review procurement policy and bid solicitation processes including requirements regarding Davis-Bacon regulations and the environmental review process to ensure understanding. The Pre-Bid Meeting also provides the opportunity to provide technical assistance as needed.

### Step 2: *Solicitation of Bids*

The Office of Planning and Community Development has an internal Memorandum of Understanding with the Purchasing Department to complete all procurement requirements. The Purchasing Department issues all solicitations of bids and advertisement. Acceptance of bids during bid openings when required by procurement rules. Determine lowest responsible bidder when required by procurement rules. Conduct reference checks. Confirms and obtains copies of licenses, bond and Insurance documentation. Lastly, submit documentation of bid process and completion to the Office of Planning and Community Development.

### Step 3: *Preconstruction*

The City of Florence will hold a Preconstruction Meeting with Contractor to review compliance monitoring process and requirements, process for payment requests, and to finalize the construction schedule

### Step 4: *Construction*

During the construction phase, the Office of Planning and Community Development will conduct random site visits to ensure project completion. Davis-Bacon interviews may be completed during these visits.

### Step 5: *Change Orders*

Change orders are not permitted unless approved by the Community Development Division and the Florence City Council.

A change order must be submitted by the recipient of funding on official letterhead to the Florence Community Development Division. An assessment of need and funding analysis will be completed. If the change order is approved an amended contract will be submitted to the City Council for approval.

### Step 6: *Substantial Completion*

Once the project is considered to be at a substantial completion rate a requisition request may be submitted by the contractor. Requisition requests must include a detailed explanation of work completed,

accompanied by supporting documentation. Requisitions must be submitted by the 15<sup>th</sup> of each month to allow the Office of Planning and Community Development to review and process prior to submitting the request to the Accounting Department for disbursement.

#### Step 7: Final Inspection

Once the contractor completes the project at 100% completion they must notify the Office of Planning and Community Development. The recipient must schedule a project completion inspection prior to submission of the final requisition. The requisition must include detail on work completed, final punch list, and all invoices with proof of prior payment.

#### Step 8: Final Request for Payment

Final requisition must include a letter from grantee that work has been completed. Subrecipients complete Closeout Report (showing beneficiaries).

### 8. Project Administration: *Labor Standards*

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Section 110(a) of the Housing and Community Development Act requires the applicability of the Davis Bacon Act in CDBG-funded construction projects in excess of \$2,000 or in residential projects if the building has 8 or more units.

The Davis-Bacon Act, as amended (40 U.S.C. 276a--276a-5), states that all laborers and mechanics employed by contractors or subcontractors in the performance of federally-funded construction work shall be paid wages at rates not less than those prevailing on similar construction in the locality. Prevailing wage rates are found on the Department of Labor website; a guide for contractors on Davis Bacon can be found on HUD's website.

Even if the largest part of funding for the project is not CDBG, Davis-Bacon still applies. Subrecipients receiving assistance for projects that will be governed by Davis Bacon will be provided applicable labor standards provisions and wage rates that must be incorporated into procurement packages and construction agreements. Compliance obligations will be reviewed at a "preconstruction meeting" with any selected contractor. Grant Compliance Officers will monitor for compliance through review of submitted weekly federal certified payrolls and on-site employee interviews.

#### Contract Work Hours and Safety Standards Act.

Subrecipients (and their contractors) shall also comply with the Contract Work Hours and Safety Standards Act. Section 102 of the Act requires that certain contracts contain a clause specifying that no laborer or mechanic doing any part of the work contemplated by the contract shall be required or permitted to work more than 40 hours in any workweek unless paid for all such overtime hours at not less than 1 1/2 times the basic rate of pay. Section 107 of the Act requires that no laborer or mechanic shall be required to work in surroundings or under working conditions which are unsanitary, hazardous or dangerous.

#### Copeland "Anti-Kickback" Act

All contracts and subgrants in excess of \$2,000 for construction or repair shall include a provision for compliance with the Copeland "Anti-Kickback" Act (18 U.S.C. 874), as supplemented by Department of Labor regulations (29 CFR part 3, "Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States"). The Act provides that each contractor or subrecipient shall be prohibited from inducing, by any means, any person employed in the

construction, completion, or repair of public work, to give up any part of the compensation to which he is otherwise entitled. In addition, all contractors and subcontractors must maintain and submit weekly certified payroll records including certification of compliance with the Act. The recipient shall report all suspected or reported violations to HUD.

## 9. Project Administration: *Housing Activities*

CDBG can be used for housing rehabilitation, homeownership, rental housing, and activities in connection with housing. Housing activities must address a CDBG national objective of benefitting low- and moderate-income households.

The City of Florence has developed a partnership with Community Action Agency of Northwest Alabama (CAANWAL) to provide residential rehabilitation and weatherization services to the citizens of Florence. CAANWAL provides direct housing rehabilitation with clients, contracts with local licensed contractors to complete the work, reports and manages all aspects of the program. CAANWAL takes all reasonable steps to avoid displacement of persons including families, businesses, non-profit organizations, and farms as a result of CDBG activities pursuant to Part 570.606.

### Displacement and Relocation

Under the Uniform Relocation Assistance and Real Property Acquisition Act of 1970 (URA), tenants and owners are entitled to information and counseling and are advised not to move unless specifically required to do so and until they have received formal notices. Failure to inform beforehand may cause persons to give up rights protected under the URA.

Under CDBG, a displaced person under the URA is an individual, family, partnership, association, corporation, or organization which moves from their home, business, or farm **or** moves their personal property, as a direct result of acquisition, demolition, or rehabilitation for a federally funded project.

### Acquisition Types and Rules

The following sections outline required processes in the event of certain acquisitions or displacement.

#### Real Property Voluntary Acquisition

- Prior to making an offer for the property, the Subrecipient must clearly advise the owner that it is unable to acquire the property if negotiations fail to result in an agreement; and
- Inform the owner in writing of what it believes to be the market value of the property.

#### Real Property Involuntary Acquisition (under threat or use of eminent domain)

- Appraise property before negotiations;
- Invite the property owner to accompany the appraiser during the property inspection;
- Provide the owner with a written offer of just compensation and a summary of what is being acquired;
- Pay for property before possession; and
- Reimburse expenses resulting from the transfer of title such as recording fees, prepaid real estate taxes, or other expenses.

### Residential Displacements

- Provide relocation advisory services to displaced tenants and owner occupants;
- Provide a minimum 90-day written notice to vacate prior to requiring possession;
- Reimburse for moving expenses; and
- Provide payments for the added cost of renting or purchasing comparable replacement housing.

### Nonresidential Displacements (Businesses, Farms, and Nonprofit Organizations)

- Provide relocation advisory services.
- Provide a minimum 90-day written notice to vacate prior to requiring possession.
- Reimburse for moving and reestablishment expenses.

### Acquisition of vacant property

- Acquisition costs at fair market value.

The City of Florence may complete an appraisal prior to purchasing property if the value cannot be easily determined. However, according to the U.S Department of Interior Bureau of Land Mgmt. it may be unnecessary if the assessment is uncomplicated and the anticipated value of the proposed acquisition is estimated at \$25,000 or less, based on a review of available data. If this is the case, the subrecipient shall prepare a waiver valuation.

If personal property is stored on vacant land that is to be acquired, the owner qualifies for payment of his or her actual moving and related expenses. Actual direct loss of tangible personal property incurred by the acquisition shall result in the payment of the fair market value of the item or a substitute item that performs a comparable function.

### Replacement of Affordable Housing

In general, when federal funds are used to eliminate any unit of affordable housing through demolition or downsizing, another affordable unit must be created. A unit does not need to be replaced if it is a substandard unit *not* suitable for rehabilitation and has been vacant for over a year. Replacement units are required under the following circumstances:

- A dwelling unit in standard condition (regardless of how long it has been vacant);
- A vacant unit in substandard condition that is suitable for rehabilitation (regardless of how long it has been vacant); or
- A dilapidated unit, not suitable for rehabilitation which has been occupied (except by squatters) within one year prior to the date of agreement.

### Lead-Based Paint

All projects are subject to the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821-4846), the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851-4856), and 24 CFR Part 35, prohibiting the use of lead-based paint in residential structures; and requiring notification of the hazards of lead-based paint poisoning; AND requiring elimination of lead-based paint hazards. Thus, must abide by all applicable local, state, and federal regulations and codes governing lead-based paint hazards. All

structures constructed prior to 1978 are automatically subject to lead-based paint regulations. More information regarding State Lead laws can be found online via the Alabama Department of Public Health.

Under federal lead regulations, at a minimum, the following is required:

- Notify the homeowner and/or tenant of the presence of any known lead-based paint and/or lead-based paint hazards;
- Test surfaces to be disturbed or removed during rehabilitation for the presence of lead-based paint, or presume lead-based paint and notify the occupants of the results within 15 days of when the evaluation report is received or the presumption is made;
- Provide each occupied dwelling unit with the EPA-approved lead hazard information pamphlet *Protect Your Family from Lead in Your Home* or EPA-approved equivalent;
- Reduce lead hazards as required by the applicable subparts of Part 35; and
- Perform clearance testing, including dust testing, before re-occupancy after all but minimal paint disturbances.

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## I. Fiscal Administration

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Subrecipients of CDBG funds must ensure that they are in compliance with all applicable fiscal requirements issued by the City of Florence and the federal government. Such requirements include, but are not limited to: Subpart E of 2 CFR Part 200 –Cost Principles; 24 CFR Part 84 Code of Federal Regulations that govern non-profit agencies using federal funds; and 24 CFR Part 570 – Code of Federal Regulations that govern CDBG funds.

### 1. Fiscal Administration: *Budgeting*

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Budgets are tools of the financial management system used for two main management functions: decision making (planning) and monitoring and controlling. A budget is a plan of action expressed in financial terms. Since budgets are planning documents, effective budgets are those that accurately anticipate and project the interplay between program and fiscal activity. An effective budget serves as a guideline, which reflects the best estimate by an organization’s decision-makers of the anticipated income and the costs of operating various program activities.

Subrecipients are required to submit a *proposed* program budget upon making application for funding. Following application processing and acceptance, a *finalized* program budget is required for inclusion in the *Subrecipient Agreement*.

#### Sources and Uses of Funds

For the CDBG program, these accounting records must contain reliable and up-to-date information about the sources and uses of funds, including:

- Federal grant awards received by the organization;
- Current authorizations and obligations of CDBG funds;
- Unobligated balances (funds remaining available for distribution);
- Assets and liabilities;

- Program income; and,
- Actual outlays or expenditures

### Budget Categories

Reimbursement will only be provided for allowable costs as approved by the City of Florence and must be directly related to the Grant. Reimbursements should be submitted on a monthly basis. Please use the Requisition Form provided by the Office of Planning and Community Development. When your requests are submitted they must include copies of receipts, check registers, payroll reports, and paid invoices. The City of Florence will only reimburse the subrecipient for expenditures actually incurred.

There are typically 5 cost categories within a general budget:

### Non-Administrative Personnel Costs

- Personnel - Costs associated with the positions identified on the Staffing Plan and can only be those staff which work directly on the grant. Costs should reflect the actual amount of time each position spends on the program.
- Fringe Benefits - Eligible payroll-related costs of health insurance, retirement fund contributions, FICA, Worker's Compensation, and other payments made on the behalf of the employee.
- Support of staff to perform purely Administrative functions is not eligible (i.e. time Director spends fundraising).
- Federal funds generally cannot pay for an Executive Director's salary. Such costs are permissible only to the extent that the Director immediately supervises the CDBG- funded service delivery or works directly with eligible clients and supports such expenses with time/effort reporting. Under no circumstances shall 100% of any Executive Director's salary be paid by CDBG funds.
- IRS employee rules must be applied before determining an employee's status or non-status. People who work for the agency are employees, and must have all pertinent federal deductions and taxes paid. People who provide training, consulting or are officers of the non-profit are not and cannot be employees of the agency. This is considered a conflict of interest. Additionally, if reimbursement is sought for any consultant, procurement regulations shall apply.

### Non-Administrative Office Costs

Non-administrative office costs may be reimbursed at a reasonable level commensurate with the level of CDBG-funded service provided. Non-administrative office costs must be supported by a "Cost-Allocation Plan", which defines the methodology for attributing costs reasonably and consistently to the federal program. Cost allocation plans are typically based on square footage calculations or a percentage of the agency's federal vs. non-federal budget. See 2 CFR Part 200.416 and appendices.

- Utilities - Costs associated with gas, electricity, water, and trash removal.
- Rent - Rental charges for real property; office space for program.
- Communication - Costs of telephone, telephone installation, leasing of phone equipment, and postage.

### General Non-Personnel Costs

- Supplies - Consumable commodities that have a useful life of one year or less and which are valued under \$500, except for computer equipment, which must be inventoried and accounted for separately.
- Direct Client Services –bus tickets, food, utilities, child care, and other program costs paid on behalf of clients.
- Printing - Cost of copying and printing, whether done in-house or through an outside printer; supplies such as paper or fluids for copy machine owned or leased for program use.
- Travel (local) - Costs for mileage reimbursement and conference expenses within Alabama
- Mileage reimbursement includes only travel by staff or volunteers for conducting the business of the subrecipient. No personal mileage will be reimbursed. Mileage from home to work is also not an allowable expense.
- Travel (other) - All travel and conference expenses to employees and volunteers for actual mileage. Out of state travel requires prior City approval.
- Insurance - Insurance-related costs required for the operation of the program.
- Contracted Services - Professional and technical services not performed by staff.
- Food/snacks – Eligible only for clients, and must be an integral part of the program such as after school snacks for children or lunch for pre-school. Please contact your assigned City Compliance Officer for guidance.
- No costs which may be considered as entertainment in nature will be reimbursed with CDBG funds. Awards ceremonies, banquets, holiday events, trophies, plaques, amusement park field trips, etc. are not an allowable expense. Please contact the assigned Compliance Officer for further guidance on this issue prior to planning or expending CDBG funds.

### Capital Assets/Equipment/Computers

- Equipment Rental - Costs for the rental of equipment, which is essential for the operation of the program.
- Equipment Purchase - Purchase of equipment essential for the operation of the program in those instances where it is more cost effective to purchase equipment rather than rent it. Includes any item with a useful life of more than one year and a cost greater than \$500.

### Improvement/Acquisition Costs

- Expenses association with rehabilitation and/or acquisition of a facility or property.
- Would only include Contracted Services Professional and technical services not performed by staff.

### Budget Revisions

Modifications to approved budget line items are allowable but must be directly related to changes in program services and activities and may not increase the budget total.

To implement a budget modification, the Subrecipient must submit a written request, which identifies the reasons for the adjustment. The request must be specific as to which line items are to be increased and which are to be reduced and must be specifically approved by the City in writing as a change to the written agreement or contract between the City and the Subrecipient. The Director of the Office of Planning and Community Development has the authority to grant or deny requests for budget revisions.

## 2. Fiscal Administration: *Allowable Costs*

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The standards for determining the reasonableness, allowability, and allocability of costs incurred as part of CDBG-financed activities are found in 2 CFR 200 for non-profit Subrecipients. A cost is allowable under the CDBG program if it meets all other regulations and:

- The expenditure is necessary, reasonable, and directly related to the grant.  
This standard applies equally to such items as salaries and administrative services contracts, as well as to real property and equipment purchases or leases, travel, and other administrative expenditures. In determining the reasonableness of a given cost, consideration shall be given to:
  - The cost is of a type generally recognized as ordinary and necessary for the operation of the organization in the performance of the award;
  - Actions were taken with prudence in the circumstances with responsibility to the organization, its members, employees and clients, the public at large, and the Government; and
  - No significant deviations from the established practices of the organization which may unjustifiably increase the award costs.

Expenditures should be authorized by the grantee (the City in this case), generally through approval of the budget for the activity, and must not be prohibited under Federal, state or local laws or regulations. CDBG is a reimbursement grant, meaning that agencies spend the funds and then ask to be reimbursed by the City. It is very important that if there are any questions as to eligibility of an expense that agencies contact the Community Development Division. If the expense is not allowed, the agency will have to pay for it from another funding source.

The cost allocable to a particular CDBG program should be in proportion to the relative benefits received by that objective. This means that:

- If an office is utilized by two programs during the same hours, the costs of the office should be allocated between the two programs equally.
- The same expense cannot be claimed against more than one grant.
- A cost originally allocable to a particular federal grant program cannot be shifted to another federal grant program in order to overcome funding deficiencies, to avoid restrictions imposed by grant or by law, or for other reasons.
- Costs should not be allocated to the federal grant in order to supplant other agency resources or usual fundraising.

## 3. Fiscal Administration: *Auditing*

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Subpart F of 2 CFR Part 200 sets forth standards for obtaining consistency and uniformity among Federal agencies for the *audit of non-Federal entities* expending Federal awards. The City reserves the right, in its



sole discretion, to require an audit of any agency receiving federal funds. CDBG funds may not be used to pay for auditing services.

A non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of Subpart F of 2 CFR Part 200. If such audit contains material findings, a copy of the audit together with any comments and plans for correction must be provided to the City. Subrecipient audits with no material findings are provided to the City only upon request.

A non-Federal entity that expends less than \$750,000 during the non-Federal entity's fiscal year in Federal awards is exempt from Federal audit requirements for that year, except as noted in § 200.503, but records must be available for review or audit by appropriate officials of the Federal agency, pass-through entity, and Government Accountability Office (GAO). Any agency that expends more than \$750,000 in federal funds per fiscal year will be required to complete a Single Audit. The funds expended may be from one or more federal sources.

Subrecipients who do not qualify for the Single Audit Threshold or Audited Financial Statement must submit a Certified Annual Financial Statement (CFA). This is the lowest audit criteria and will only be accepted from those non-profits who can document that they did not qualify for an A-133 or a CPA audited financial statement. The Treasurer and the Board President must sign a statement certifying the CFA. The statement should read as follows:

*We, the undersigned, as Executive Director and Treasurer of (Name of Agency), hereby certify that, to the best of our understanding and knowledge, the attached Financial Statements fairly and accurately represent the financial condition and operations of this organization.*

#### Audit Due Date

Audits have different due dates depending on the type the agency qualifies to conduct:

- CPA conducted audits are due six (6) months after the end of the fiscal year, and
- Single Audits are due nine (9) months after the end of the fiscal year.

#### Internal Audit Reviews

Financial statements will be requested at the time of application as a method to demonstrate and evaluate good governance, financial controls, and risk, and as part of routine monitoring.

The City reserves the right to have its Auditors review all subrecipient records and transactions. City Auditors may review subrecipient monitoring documentation to begin their single audit reviews.

Audit findings resulting in monetary repayment to the City of Florence must be remitted from non-federal funded resources. Failure to rectify findings within the given time frame may result in suspension, termination of grant agreement, and/or disbarment from future grant funding.

#### 4. Fiscal Administration: *Program Income*

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Interest earned on federal grant funds must be reported to the City monthly as *Program Income (PI)* and must be used in the operation of the specific grant program. A total amount under \$100 may be reported quarterly rather than in the month in which it is collected.

Organizations providing services funded through a City of Florence CDBG grant may charge fees to clients to reduce the costs of service delivery. Such fees, or any other earnings generated through the use of CDBG funds, are considered to be PI. Other types of PI include, but are not limited to:

- Proceeds from the disposition by sale or long-term lease of real property purchased or improved with CDBG funds;
- Proceeds from the disposition of equipment purchased with CDBG funds;
- Gross income from the use or rental of real or personal property acquired by subrecipient with CDBG funds, less costs incidental to generation of the income;
- Gross income from the use or rental of real property, owned by subrecipient, that was constructed or improved with CDBG funds, less costs incidental to generation of the income;
- Payments of principal and interest on loans made using CDBG funds, except as provided in 24 CFR 570.500(a)(3); and
- Interest earned on program income pending its disposition.

PI shall be recorded separately and returned to the City for disposition. Upon approval by the City, income from the Project may be retained by the subrecipient provided that written notification is provided that the income is for the exclusive benefit of the program. It is recommended that any anticipated income is disclosed at the time of application and included in the program budget.

Donations are defined as free will offerings to an organization not related to receiving a service or benefit. Donations are not considered PI and do not have to be reported. PI does not reduce the size of the organization's CDBG grant if the PI is spent on eligible items. However, any PI not spent will result in a reduction in the amount of funds reimbursed. Housing development agencies which use CDBG funds for administration only, do not report funds received from the construction of affordable housing units as PI.

## 5. Fiscal Administration: *Purchasing and Contracting*

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All procurements made by City of Florence involving the expenditure of local, state and federal funds as a part of a CDBG Project must be conducted in a manner that ensures full and open competition consistent with the standard set forth in 2 CFR Part 200. Procurement transactions, regardless of method or dollar value, will maximize open and free competition. The City or its subrecipients shall not engage in procurement practices that may be considered restrictive in trade.

Subrecipients must meet with the City of Florence to discuss the procurement process prior to bid and construction. A determination of reasonableness through *price or cost analysis* must be performed in connection with every procurement action, regardless of whether the organization is a vendor or a subrecipient. The form and degree of analysis, however, are dependent on the particular subcontract or purchase, and the pricing situation. Section G herein outlines the process for determining reasonableness.

### Methods for Procurement

2 CFR Part 200 defines the following methods of procurement. All CDBG related procurements shall be made by one of the following methods: (a) small purchase procedures, (b) competitive sealed bids, (c) competitive negotiation, (d) non-competitive negotiation.

### Small Purchases

For purchases of less than \$50, efforts will be made to get the lowest and best price, but written records of such efforts are not necessary. Purchases that cost more than \$50 but less than \$20,000 require quotations of rate, price, etc., but no legal advertisement is required. The Grantee/Subrecipient will solicit responses from at least three vendors. If written responses are not available, a statement explaining the procurement will be prepared and filed. If quotations are obtained via telephone, a memorandum will be prepared setting forth the date the calls were made, parties contacted, and prices obtained. The award will be made to the lowest responsive and responsible source and entered into a contract formalizing the scope of work and terms of compensation. Purchases costing \$20,000 or more will be required to follow the competitive sealed bid process.

### Purchasing

Includes supplies and materials

- \$0 to \$500 – 3 verbal/telephone estimates are required. No written specifications are required. Documentation must be kept on file by the grantee.
- \$501 to \$4,999 – 3 written quotes are required. Written specifications are necessary and must be available to bidders.
- \$5,000 up to \$20,000 – Written specifications are necessary and a “Request for Proposals” must be advertised.

For purchases of less than \$50, efforts will be made to get the lowest and best price, but written records of such efforts are not necessary. Purchases that cost more than \$50 but less than \$20,000 require quotations of rate, price, etc., but no legal advertisement is required. The Grantee/Subrecipient will solicit responses from at least three vendors. If written responses are not available, a statement explaining the procurement will be prepared and filed. If quotations are obtained via telephone, a memorandum will be prepared setting forth the date the calls were made, parties contacted, and prices obtained. Purchases that cost more than \$20,000 will follow the Competitive Sealed bid process. The award will be made to the lowest responsive and responsible source and entered into a contract formalizing the scope of work and terms of compensation.

### Construction

Includes capital improvements, rehabilitation and ADA improvements

- \$0 to \$1,999 – Written specifications are necessary and three written quotes are required.
- \$2,000 to \$49,999 – Written specifications (and plans where appropriate) are necessary. Three (3) written bids must be acquired and Davis/Bacon wage provisions will apply (housing with less than 8 units being the limited exception).
- 50,000 and over – Construction of \$50,000 or more will follow the competitive sealed bid process. Written plans and specifications are required for all work in this category. Three (3) written bids must be acquired and Davis/Bacon wage provisions apply. The project must be advertised in the local paper of general circulation a minimum of two weeks prior to the receipt of bids.

### Competitive Sealed Bids

Bidding will be employed when detailed specifications for the goods or services to be procured can be prepared and the primary basis for award is cost. When the cost of a contract, lease or other agreement

for materials, supplies, equipment, or contractual services other than those personal or professional exceeds \$50,000, an Invitation for Bids (IFB) notice will generally be prepared. The notice will be published at least once in a qualifying official newspaper of general circulation within the community. This newspaper notice will appear not less than seven (7) days and not more than twenty-one (21) days before the due date for bid proposals. In addition, the Grantee/Subrecipient must solicit sealed bids from responsible perspective suppliers by distributing a copy of such notice to them.

The IFB will include a general description of the goods or services to be procured, the bid deposit and bond performance required (if applicable), the location where bid forms and specifications may be secured, the time and place for opening bids, and whether the bid award will be made on the basis of the lowest bid price or the lowest evaluated price. If the lowest evaluated price is used, the measurable criteria to be utilized must be stated in the IFB. The newspaper notice must also contain language that calls to the attention of bidders all applicable requirements that must be complied with such as Section 3 of the 1968 Housing Act, Section 109 of the 1974 Housing and Community Development Act, the Civil Rights Act of 1964, Executive Order 11246 and the Davis-Bacon Act.

Sealed bids will be opened in public at the time and place stated in the IFBs. The City will tabulate the bids at the time of bid opening. The results of the tabulation and the bid documents will be evaluated by the review committee, which will make recommendations to the City. The City will make a firm fixed-price contract award in writing to the lowest responsive and responsible bidder. After the City makes the bid award, a contract will be prepared for execution by the successful bidder.

The City may cancel an Invitation for Bid or reject all bids if it is determined in writing that such is in the best interests of the City. The City may allow a vendor to withdraw a bid if requested at any time prior to the bid opening. Bids received after the time set for bid opening shall be returned to the vendor unopened.

The following requirements apply to the competitive sealed bid procurement process:

- Competitive sealed bids are initiated by publishing an Invitation for Bids (IFB)
- The IFB must be advertised in the newspaper of largest circulation in the jurisdiction at least one time for not less than seven days or more than 21 days before the date set for the opening of bids.
- The IFB must also be publicized by distributing the IFB to a list of qualified contractors. The City will include MBE /WBE and Section 3 firms on solicitation lists and send them an Invitation for Bid.
- The IFB will include specifications that define the services or items required in order for the bidder to properly respond.
- 2 CFR Part 200 requires a bid guarantee from each bidder equal to five percent of the bid price. This guarantee serves as an assurance that the chosen contractor will execute the contract within the time specified.
- All bids must be publicly opened at the time and place stated in the Invitation for Bids.
- The bids must be tabulated and reviewed to determine if they are responsive to the bid specifications in the scope of work and the vendor is a responsible vendor based.

- Preparation and signing of a contract formalizing a scope of work and the terms of compensation is required.
- The contract awarded must be a firm-fixed-price contract (lump sum or unit price with a maximum amount identified).
- If alternates (additives or deducts) will be taken, the bid documents must be clear as to what order those alternates will be applied.

#### Consulting and A/E Services

- \$0 to \$19,999 – These purchases/service contracts under \$20,000 are handled following the small purchase procurement process. Three written estimates and a scope of services is required.
- \$20,000 and over – Consulting/ A/E Services over \$20,000 will follow the competitive negotiation process. A written scope of services and an RFP must be prepared and advertised in the local paper of general circulation a minimum of two weeks before the proposals are due.

#### Competitive Negotiation

This method of procurement is used if the selection can be based on factors other than cost, such as experience and capacity. Procurement of architectural, engineering, planning and administrative services may fall under this category. Subrecipients must seek permission from the City prior to using competitive negotiation for contracts other than architectural, engineering, planning or administrative services. Only fixed-price contracts or hourly contracts with a not-to-exceed figure may be awarded. Competitive negotiations are initiated by publishing a Request for Proposals (RFP) or Request for Qualifications (RFQ). The RFP is used when price is a factor in selection; the RFQ is used when price is considered after selections (generally only for engineering services). In both the RFP and RFQ, all significant evaluation factors and their relative importance should be clearly stated. In addition, the City will provide or make available any materials such as reports, maps, and site plans to assist interested firms in preparing responsible submissions.

The following requirements apply to the competitive negotiation’s procurement process:

- The RFP or RFQ must be advertised in the newspaper of largest circulation in the jurisdiction at least one time for not less than seven days or more than 21 days before the date set for the opening of proposals.
- The City will include MBE and WBE firms on solicitation lists and send them the RFP or RFQ.
- If an RFP is used, it should specify the scope of services to be provided and the type of contract to be used, which should be either fixed price or an hourly rate with a not to exceed figure.

An RFP should also:

- Specify that cost and pricing data is required to support the proposed cost;
- State anticipated start and completion dates; and
- List evaluation criteria that will be used in ranking proposals.
- The RFP or RFQ must also be distributed to a list of qualified firms.

- All proposals received must be reviewed and ranked according to the selection criteria, and the review must be documented in writing.
- There must be at least two proposals from qualified sources to permit reasonable competition.
- For both RFPs and RFQs, selection is made on the basis of the most responsible offer or price with consideration given to the factors identified in the RFQ or RFP.
- For RFQs, an invitation is then made to one or more respondents to negotiate a price or fee.
- Document the reason the firm is chosen and that the price established is reasonable.
- The City will maintain documentation of cost reasonableness for all services and reasons for selection.
- City will complete the SAM screening for contractor eligibility and if eligible, prepare and sign a contract formalizing a scope of work and the terms of compensation.
- The City will promptly notify unsuccessful requestors.

### Sole Source Procurement

Sole source procurement (noncompetitive process), or solicitation from only one source, is rare and acceptable only after solicitation of a number of sources is determined inadequate. Extensive documentation and justification are required to establish the audit trail.

The City of Florence may decide that competition is not feasible if one of the following circumstances exists:

- The item is unique and available only from a single source.
- There is a public urgency or emergency that exists that will not permit a delay resulting from a competitive solicitation.

### Non-Competitive Negotiations

Non-competitive negotiation is procurement through solicitation of a proposal from one source, and is often referred to as sole source procurement. A contract may be awarded by noncompetitive negotiation only when the award is infeasible under small purchase procedures, competitive sealed bids, or competitive negotiations and one of the following circumstances applies:

- There is a public emergency that will not permit delay resulting from competitive solicitation (the City must declare an emergency as authorized by law); or
- The results of the competitive negotiations are inadequate; or
- The product or service is available only from a single source.
- Negotiations must be conducted with the selected company regarding a scope of work and price;
- Preparation and signing of a contract formalizing a scope of work and the terms of compensation is required.

### Cost Evaluation

2 CFR 200.318 requires grantees to perform a cost or price analysis in connection with every procurement action, including competitive sealed bids. Too often, inadequate or incorrect cost analyses result in cost

estimates that are too low and, consequently, low bids coming in over budget. Such bid overages can unnecessarily delay time-sensitive projects, and rectifying the overage is often costly and time consuming. The City will carefully conduct and review their cost estimates and to utilize safeguards such as deductible alternates in order to minimize the risk of overages that will require a rebid. Despite careful cost analyses and safeguards, there are occasions when all bids will exceed available project funds.

The City will follow one of the following options for awarding a bid following an overage:

- Obtaining additional funds from another source and continuing with the original IFB.
- Reject all bids, review and update as needed the project scope and bid specifications, and issue a revised IFB (competitive sealed bid) open to the entire public; or
- Conducting competitive negotiations with all bidders.
- Competitive negotiations must take place under the following criteria:
  - If discussions pertaining to the revision of the specifications or quantities are held with any bidder, all of the bidders shall be afforded an opportunity to take part in such discussions.
  - After discussions with all bidders, the City will revise the scope of work accordingly and issue an IFB open to all bidders, providing for expedited proposals. No advertisement is required, but the City will allow at least seven days for all bidders to submit proposals.
- The IFB would then be awarded on the basis of lowest bid price.

#### Federal Debarred Contractor Screening

Prior to executing a contract, the City will review the vendor for eligibility using <https://sam.gov/content/home>. The procurement file will include a printout of the SAM.gov search to document the eligibility review based on the federal debarment list. The search documentation will be uploaded to the Neighborly software in the activity file.

#### Subcontracting

Should a Subrecipient find it necessary to subcontract in order to meet its obligations under its agreement with the City of Florence, it must enter into a written agreement with those individuals or organizations providing services.

#### Types of Subcontracts Covered Under This Section

- Bookkeepers and auditors.
- Contractual personnel services (personnel not on the Subrecipient's payroll).
- Office equipment rental & space rental.
- Supply contracts (ex. bulk food suppliers).
- Rental of vehicle (van, bus, etc.) to be used on a regular basis for transporting Subrecipient clients

#### Review of Subcontracts by City

All Subrecipients receiving funds for the first time must submit all subcontracts valued at more than \$500 to the City for review and approval prior to execution. Subrecipients in the second year of CDBG funding are required to obtain prior review and city approval only when the value of the subcontract exceeds 10%

of its CDBG grant or \$10,000, whichever is less. All subcontracts requiring review and approval by the City must be submitted at least 10 business days prior to an effective date. The City will typically respond to the request for approval within 7 working days. Subcontracts must be approved prior to execution by any of the parties.

#### Required Subcontract File Documentation

Subrecipients should consider Subcontract documentation in the same manner as their own client and grant documentation including, but not limited to the following:

- Summary of bids and proposals received.
- Justification for any non-competitive procurement of contract services and reasons for the selection of the subcontractor.
- Justification for the selection of other than the lowest bidder in a competitive procurement.
- Section 3 compliance documentation, if required.

#### 6. Fiscal Administration: *Procurement*

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The City of Florence is responsible for ensuring that procurement of goods and services with CDBG funds conform to or exceed Federal procurement standards. Further, it must determine the adequacy of performance under subrecipient agreements and procurement contracts and take appropriate action should issues arise.

All procurements made in whole or in part with CDBG funds must comply with the applicable federal requirements found in 2 CFR Part 200.318 to ensure that the City:

- Follows a free and open competitive process in securing those products or services. This includes the requirement that all agencies, contractors, and businesses receiving CDBG funds must register at [www.sam.gov](http://www.sam.gov).
- Properly documents its purchasing activities and decisions.
- Observe the special rules for particular kinds of purchases (small purchases, competitive sealed bids, competitive proposals, and sole source procurements).
- Properly bond and insure work involving large construction contracts and/or subcontracts.
- Use local businesses and contract with small, minority and/or women-owned businesses to the maximum extent feasible.

In instances of conflicting procurement policy, the City of Florence will apply the more stringent policy.

#### Equipment Procurement

Equipment is defined as tangible property costing more than \$500 and having a useful life of more than one year. Items which cost less than \$500 and which have a useful life of less than one year are considered to be supplies and are to be purchased under the General Non- Personnel Costs (Supplies) cost category, except for computer equipment, which must be inventoried and accounted for.

Under HUD regulations, the purchase of equipment, fixtures, or furnishings that are not an integral structural fixture is ineligible except when necessary for use by the City or a Subrecipient in the administration of the overall City CDBG grant or as part of the administration of a public service program.



The City does not allow for purchase of vehicles with CDBG funds, unless explicitly approved in writing beforehand.

#### Notification Requirements

All purchases of equipment require prior approval. Requests to purchase equipment are to be sent to the Assistant Director 45 days prior to the purchase order date. No exceptions will be made. The request is to include the cost of the item, where it will be purchased, a detailed explanation of why it should be bought rather than leased or rented, and where the funds for the purchase will come from. If City CDBG funds will only be paying a portion of the purchase, list other funding sources and the respective amounts. The Assistant Director will typically review the request and issue a decision within 10 working days. Rationale for a negative decision will be included in the response.

#### Reversion to City/HUD

Under HUD regulations, the City/HUD has the option to obtain the equipment from the program when funding stops for the program. The review of the type of equipment to be purchased will include mention of its possible usefulness to the City. The City may also permit the Subrecipient to retain the equipment at the time the funding ends. All other personal property, supplies and equipment purchased pursuant to this agreement and not consumed may become property of the City/HUD.

#### Inventory Data

- Name of Agency receiving grant.
- Acquisition Date (Date of Purchase)
- A brief description of the item
- Percentage of Federal Participation
- Manufacturer's serial number
- Cost (actual purchase price)
- Name of Agency on property's title.
- Disposal Date and Method

### 7. Fiscal Administration: *Reimbursement and Spending Requirements*

Subrecipients must have procedures in place to monitor obligations and expenditures against their approved budget(s) for CDBG funded activities. The City of Florence is under no obligation to reimburse a subrecipient for expenditures which exceed approved budget line items or the overall budget for CDBG assisted activities. Therefore, the subrecipient needs to have an ongoing system to compare actual receipts, encumbrances, and expenditures with the CDBG budget in order to ascertain in a timely fashion whether it will be necessary to initiate a formal budget revision.

### 8. Fiscal Administration: *Source Documentation*

The general standard is that all accounting records must be supported by source documentation to demonstrate that costs charged against CDBG funds were incurred during the effective period of the Subrecipient's agreement with the City, were actually paid out, expended on allowable items, and approved by the responsible officials in the subrecipient organization. Every grant related financial transaction must be recorded immediately in the accounting system.

The source documentation must explain the basis of the costs incurred, as well as show the actual dates and amount of expenditures. For example:

- Payroll source documentation should include employment letters and all authorizations for rates of pay, benefits, and employee withholdings. Such documentation might include union

agreements or minutes from board of directors' meetings where salary schedules and benefit packages are established, copies of written personnel policies, W-4 forms, etc. For staff time charged to the CDBG program activity, time and attendance records should be available. If an employee's time is split between CDBG and another funding source, there must be time distribution records supporting the award of charges among the sources. Canceled checks from the employees, payroll service provider, etc., or evidence of direct deposits will document the actual outlay of funds.

- Rental or lease agreements, and bills from the respective companies must support space and utilities costs. Both types of expenses will be supported by canceled checks. If the cost is split between CDBG and other sources, there must be a reasonable method in place to allocate the charges equitably among the sources ("Cost Allocation Plan").
- Supplies should be supported by purchase orders or requisition forms initiated by an authorized representative of the subrecipient, an invoice from the vendor (which has been signed off by the subrecipient to indicate the goods have been received), the canceled check to the vendor demonstrating payment was made, and information regarding where the supplies are stored and for what cost objectives they are being used.

All source documentation must be readily available for review by the City, HUD or other authorized representatives at all times. A variety of source documents and records are needed to properly account for grant transactions. These documents include but are not limited to the following:

- **Invoices** – All Subrecipients are required to retain original invoices or sales receipts for all purchases. All invoices must be marked "PAID" with the check number and date paid included. A stamp is recommended for this. If any original document for an expense cannot be located during a monitoring visit, the amount may be deducted from the next reimbursement request, or may be required to be repaid.
- **Timesheets** – All Subrecipients will maintain concise documentation for both the time worked and tasks undertaken. The employee and his/her immediate supervisor must sign employee timesheets.
- **Service Contracts** – All grant funded service contracts (accounting, leases, janitorial, etc.) must be a written agreement between the Subrecipient and the firm/individual.

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## J. Contract Administration

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Agencies receiving a CDBG grant must be able to implement their program soon after the award and complete performance within the specified time frame. All tasks undertaken with a CDBG grant must follow the CDBG contract, federal regulations, and all guidelines listed in this document. Failure to comply with any of the above may result in forfeiture of the CDBG Funding provided to Subrecipient under the Agreement.

The Office of Planning and Community Development will oversee all contract related matters for the funded program, including performance reporting, monitoring, reimbursement of eligible expenses, and technical assistance. All contract-related matters will be channeled through the staff liaison. Technical assistance is available to programs upon request. The response to a request for technical assistance will take into account the availability of Department staff.

All Subrecipients are highly encouraged to attend City-sponsored training offered annually including: Application Workshop; Fiscal & Reporting Workshop; and Contracting Sessions.

## 1. Contract Administration: *Administrative Oversight*

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### Subrecipient Administrative/Program Staff Responsibilities

- Ensure that all expenditures involving the use of federal funds are eligible under the federal and local requirements of the grant
- Approval of purchase orders and contracts to be reimbursed through HUD grant funds
- Receipt and approval of invoices
- Review and approval of requests for payments involving HUD grant funds are coded properly
- Ensure Compliance with all HUD regulations, the City Grant Agreement and Subrecipient Informational Program Manual
- Implementation of an internal control system.

### Subrecipient Finance Officer Responsibilities

The finance officer or accountant is responsible for maintaining a computer accounting/ bookkeeping system. The finance officer's or accountant's responsibilities include, but are not limited to:

- Control of accounting documents for processing by the subrecipient
- Preparation of financial reports based on accounting records
- Preparation of requests for reimbursement, subject to review by the agency's Director
- Execution and oversight of all financial procedures designed to avoid or eliminate waste, fraud, or abuse of grant funds.

Should the City determine that the Subrecipient's accountant is not maintaining proper financial records, or processing accurate information, the City has the right to request that the subrecipient remove that individual from grant oversight.

### Internal Controls

Agencies receiving CDBG funding shall have:

- A Written Set of Policies and Procedures which define staff qualifications and duties, lines of authority, separation of functions, and access to assets and sensitive documents.
- Written Accounting Procedures, including procedures for approving and recording transactions and regular reconciliation of records to check for completeness and accuracy.

A good internal control system should include several basic features of good governance, regardless of the organization's size. These characteristics include:

- An organization plan that safeguards resources by segregating duties;
- A system of authorization and recording procedures that provides effective accounting control over assets, liabilities, revenues, and expenses;

- An established system of procedures followed by each organizational component in performing its duties and functions;
- Personnel capable of performing their responsibilities; and
- An effective system of internal reviews.

The internal control requirements provide for the separation of duties and the secure storage of accounting records in limited access areas. In maintaining these accounting records a subrecipient should also ensure that:

- Journal Entries are properly approved and explained/supported;
- Posting and trial balances are performed on a regular basis; and,
- Fidelity bond coverage is obtained for responsible officials of the organization.

## 2. Contract Administration: *Antidiscrimination*

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Discrimination is prohibited in delivery of services, program administration, and any enforcement mechanisms of which CDBG program funds are utilized on the basis of:

- |   |                      |
|---|----------------------|
| ▪ Race  | ▪ Ethnicity          |
| ▪ Color   | ▪ Gender             |
| ▪ Religion  | ▪ Gender Identity    |
| ▪ National origin                                   | ▪ Language(s) Spoken |
| ▪ Disability Status                                 | ▪ Literacy           |
| ▪ Prior Alcohol and/or Illegal Substance Addictions | ▪ Sexual Orientation |
| ▪ Familial status                                   | ▪ Veteran Status     |

Furthermore, a subrecipient must be in compliance with the following Federal laws and Executive Orders, and implementing regulations:

- **Section 109 of Title I of the Housing and Community Development Act of 1974, as amended** (42 U.S.C. 5301 et. seq., particularly 42 U.S.C. 6101 et. seq., and 29 U.S.C. 794): This law mandates that no person on the grounds of race, color, national origin, sex, or religion shall be excluded from participation, denied the benefits of, or otherwise be subject to discrimination under any activity funded in whole or part with CDBG funds.
- **Title VI of the Civil Rights Act of 1964** (Public Law 88-352 implemented in 24 CFR Part 1): This law states that no person shall, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.
- **Fair Housing Act, Title VIII of the Civil Rights Act of 1968** (Public Law 90-234): The Fair Housing Act prohibits discrimination in housing practices on the basis of race, color, religion, sex, and national origin. The Fair Housing Act was amended in 1988 to provide protections from discrimination in any aspect of the sale or rental of housing for families with children and persons

with disabilities. The Fair Housing Act also establishes requirements for the design and construction of new rental or for-sale multi-family housing to ensure a minimum level of accessibility for persons with disabilities.

- **Executive Order 11063, as amended by Executive Order 12259** (implemented in 24 CFR Part 107): This order and its implementing regulations require HUD to take all actions necessary to prevent discrimination because of race, color, religion, sex, or national origin in the use, occupancy, sale, leasing, rental, or other disposition of residential property assisted with Federal loans, advances, grants, or contributions.
- **The Age Discrimination Act of 1975, as amended:** This law provides that no person shall be excluded from participation, denied program benefits, or subjected to discrimination on the basis of age under any program or activity receiving Federal assistance.
- **Section 504 of the Rehabilitation Act of 1973, as amended** (implemented at 24 CFR Part 135): This section specifies that no otherwise qualified individual shall solely by reason of his or her handicap be excluded from participation (including employment), denied program benefits, or subjected to discrimination under any program or activity receiving Federal assistance. Part 8 requires that recipients ensure that their programs are accessible to and usable by persons with disabilities. Part 8 also prohibits recipients from employment discrimination based upon disability.
- **Equal Access Rule:** 24 CFR 5.106, clarifies how facilities funded by HUD that have shared sleeping quarters or shared bathing facilities comply with the requirement that equal access be provided to programs, buildings, facilities, services, benefits, and accommodations in accordance with the individual's gender identity. This clarification should provide benefits to clients accessing HUD-funded, temporary, emergency shelters and other buildings and facilities by assuring all clients receive equal access, and will benefit the HUD-funded facilities by making compliance with HUD's equal access requirements easier. The rule also amends the definition of gender identity in § 5.100 to clarify the difference between actual and perceived gender identity, which is necessary to the adoption of § 5.106, and to reflect recent changes in the definition of sexual orientation that uses updated terminology. Both of these changes make it easier for recipients and subrecipients of HUD funding, as well as owners, operators and managers of shelters, buildings, and other facilities, and providers of services funded by CPD programs, to comply with the requirements of both § 5.105(a)(2)(i) and § 5.106.

### 3. Contract Administration: *Board of Director Responsibilities*

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Upon execution of the agreement between the City and the Subrecipient, the Subrecipient shall:

1. Immediately report all changes in its articles of incorporation, bylaws, or tax-exempt status to the City.
2. Ensure no member of the Board of Directors is a paid employee, agent or subcontractor.
3. Continue to include representation on the Board of Directors, the broadest possible cross-section of the community, including those with expertise and interest in the provided services, representatives from community organizations interested in the services, and users of the services.

4. Ensure all meetings of the Board of Directors are open to the public, except meetings, or portions thereof, dealing with personnel or litigation matters.
5. Keep minutes of all regular and special meetings of the Board of Directors, have a regular meeting at least once a year, and upon request, forward copies to the GPC assigned to your program.

#### 4. Contract Administration: *Access for Persons with Disabilities*

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Subrecipients shall comply fully with any and all provisions of the Americans with Disabilities Act (ADA) of 1990. This law prohibits discrimination on the basis of disability in employment by state and local governments and in places of public accommodation and commercial facilities.

The ADA also requires that facilities that are newly constructed or altered, by, on behalf of, or for use of a public entity, be designed and constructed in a manner that makes the facility readily accessible to and usable by persons with disabilities.

The Act defines the range of conditions that qualify as disabilities and the reasonable accommodations that must be made to assure equality of opportunity, full participation, independent living, and economic self-sufficiency for persons with disabilities.

- Section 504 Non-Discrimination based on Handicap in Programs Funded by HUD
- Subrecipients shall comply with Section 504 of the Rehabilitation Act of 1974, which prohibits discrimination based on handicap in:
  - Information,
  - Participation,
  - Services,
  - Housing,
  - Employment,
  - Building accessibility or
- Any other aspects of a program funded by HUD. Individuals with Disabilities include persons that are:
  - Mobility impaired;
  - Hearing impaired;
  - Visually impaired;
  - Developmentally disabled; and,
  - Persons who remain in-home or institutionalized care settings.

#### General Requirements

No qualified individual with disabilities shall, solely on the basis of disability, be excluded from participation in, be denied the benefits of, or otherwise be subjected to discrimination under any program funded by HUD, including CDBG. Subrecipients may not deny the opportunity, provide less of an opportunity or otherwise limit qualified individuals with disabilities from participating in or receiving

services and benefits. This includes participating as a member of the planning or advisory boards or occupying a housing unit provided by the agency.

### Communications

Appropriate auxiliary aids shall be provided where necessary or reasonably requested (e.g. telecommunication devices for deaf persons) for applicants, clients, and employees of the agency. This does not include wheelchairs, hearing aids, or other devices of a personal nature. Procedures shall be in place to ensure that individuals with disabilities can obtain information on services and their location. This may include the provision of printed materials in Braille, large type, cassette, or disk.

Subrecipients shall provide proper notification (e.g. in brochures and general printed information) to applicants, clients, and employees of the agency, including those with impaired vision or hearing, that the agency does not discriminate based on disability. The above notifications should include a telecommunications device number for deaf persons (TDD).

### Employment

Subrecipients shall not discriminate in its hiring practices against qualified individuals with disabilities. Discrimination in employment also applies to promotions, tenure, transfers, terminations, rates of pay, job assignments, leaves of absence, sick leave, fringe benefits, and any other terms of employment.

Subrecipients shall make reasonable accommodations to the known physical or mental limitations of an otherwise qualified applicant or employee with disabilities. This may include the provision of equipment or devices, job relocation, job restructuring, or facilities modifications.

### Building and Program Accessibility

Subrecipients shall comply with the following requirements:

- New Construction – Non-housing facilities shall be designed and constructed to be readily accessible to individuals with disabilities in conformance with the City of Florence Building Code.
- Rehab or Alterations - Rehabilitation of non-housing facilities shall be made to be readily accessible to individuals with disabilities in conformance with the City of Florence Building Code. Rehab does not include re-roofing, interior decorations, or changes to mechanical systems. However, rehab shall not be performed in such a manner that it reduces accessibility.
- Existing Non-Housing Facilities - An agency shall locate and operate each program receiving HUD assistance so the program, when viewed in its entirety, is readily accessible to and usable by individuals with disabilities. An agency may achieve accessibility through methods such as the following:
  - Location of programs or services to accessible facilities or accessible portions of facilities
  - Assignment of aides to assist beneficiaries
  - Home visits
  - The addition or redesign of equipment or furnishings
  - Acquisition or construction of additional facilities
  - Rehab or alterations to facilities on a selective basis

### Additional Requirements Applicable to Housing Projects

New housing projects shall be designed and constructed to be readily accessible to and usable by individuals with disabilities in conformance with the City of Florence building code. Renovation to housing projects shall, to the maximum extent feasible, be made to be readily accessible and usable by individuals with disabilities in conformance with the City of Florence building code. Once five percent (5%) of the dwelling units are readily accessible, additional units do not need to be accessible, but are encouraged.

### Limited English Proficiency Access

Subrecipients must ensure meaningful access to their programs and activities by persons who do not speak English as their primary language and who have limited ability to speak, read, write, or understand English, pursuant to Executive Order 13166. This Executive Order mandates that the federal government reduce language barriers to Limited English Proficiency (LEP) persons with regard to accessing federal benefits.

In certain situations, failure to ensure persons who have Limited English Proficiency have access to CDBG programs or services may violate Title VI's prohibition against national origin discrimination.

- If 25% or more of a CDBG Activity's service clientele has limited English proficiency and speaks a non-English language, the CDBG Activity must provide key documents translated in that population's language.
- If 50% or more of a CDBG Activity's service clientele has limited English proficiency and speaks a non-English language, the CDBG Activity must make every attempt to aid a person in their designated language, either through translation services or by employing staff who speak the language.

If CDBG funds are provided for counseling, mental health services, medical services, and/or case management, these services MUST be provided in the client's native language, regardless of the size of the population the provider serves. Translation costs to enable service to LMI clients and comply with LEP are reimbursable activity delivery costs.

### Accessibility Self Evaluation

Each subrecipient shall conduct a review and self-evaluation of its programs, policies procedures, communications, employment practices, facilities, and other aspect of its programs to determine compliance with regulations concerning accessibility and non- discrimination. During each program year the CDC will provide a self-evaluation form to complete and keep as part of your records.

Furthermore, any practices or policies that do not meet accessibility requirements shall be modified by the Subrecipient to achieve accessibility, and any discrimination revealed by the self-evaluation shall be corrected. All Subrecipients shall:

- Maintain the results of the above self-evaluation on file and make it available for three years.
- Designate an employee to coordinate compliance with HUD non-discrimination regulations.
- Adopt grievance procedures for people with disabilities or other protected classes.
- Provide proper notices that the agency does not discriminate based on disability.
- Coordinate appropriate translation to ensure equal access to critical programs for LEP clients.



## 5. Contract Administration: *Conflicts of Interest*

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A conflict of interest is a *real or perceived* incompatibility between a person's private interests and their public or fiduciary duties. It involves any action, inaction, or decision in the discharge of official duties which would materially affect a financial interest for the conflicted person, their family members or any business with which the person is associated.

As the origins of the CDBG program are of the public, inherent are the responsibilities to maintain the public trust in all aspects of the program. The following policies provide the minimum test of a likely conflict of interest with regards to the CDBG program.

*Any person who serves as:*

- Employee
- Agent
- Consultant
- Officer
- Elected official
- Appointed official

For the:

- City of Florence
- Subrecipient of CDBG funds
- Federal Government

*Who:*

- Exercises or has exercised any function or responsibility with respect to any CDBG activities
- Is in a position to participate in a decision-making process or gain inside information with regard to such activities,

*Shall not:*

- Obtain a financial interest or benefit from a CDBG-assisted activity,
- Have a financial interest in any contract, subcontract, or agreement with respect to a CDBG-assisted activity, or with respect to the proceeds of the CDBG-assisted activity,
- Either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter.

### Exceptions

Upon the written request of the recipient, HUD may grant an exception to the provisions of this section on a case-by-case basis when it has satisfactorily met the certain requirements including, but not limited to the following.

- A disclosure of the nature of the conflict, accompanied by an assurance that there has been public disclosure of the conflict and a description of how the public disclosure was made. Typically, notification is provided through a Website Posting and Legal Notices in the Florence Journal. AND
- An opinion of the Subrecipients and City of Florence legal counsel that the interest for which the exception is sought would not violate State or local law.

In determining whether to grant a requested exception after the recipient has satisfactorily met the requirements, HUD shall conclude that such an exception will serve to further the purposes of the Act and the effective and efficient administration of the recipient's program or project, considering the cumulative effect of the following factors, as applicable:

1. Significant cost benefit or essential expertise to project.
2. Opportunity for open competitive bidding or negotiation.
3. Person affected:
  - a. Member of low- or moderate-income class of persons intended to be beneficiaries of the assisted activity.
  - b. Exception will permit such person to receive same benefits as the class.
4. Person affected has withdrawn from his or her functions or responsibilities, or the decision-making process with respect to the assisted activity.
5. Interest or benefit was present *before* affected person was in the “conflicting” position.
6. Undue hardship to subrecipient or person affected when weighed against public interest served by avoiding the prohibited conflict.
7. Any other relevant considerations.

Mere submission of a request for an exception does not authorize a recipient to engage in any activity or enter into any contract that constitutes a conflict. An exception is not granted until the subrecipient receives such determination in writing from the local HUD office.

#### 6. Contract Administration: *Copyright and Intellectual Property Rights*

Contracts or agreements for the performance of experimental, developmental, or research work shall provide for the rights of the Federal Government and the recipient in any resulting invention in accordance with 37 CFR part 401, “Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements,” and any implementing regulations issued by HUD.

#### 7. Contract Administration: *Disbarred, Suspended, Ineligible Contractors/Vendors*

No Contract shall be made to parties listed on the General Services Administration’s List of Parties Excluded from Federal Procurement or Non-Procurement Programs List, found online at: <https://www.sam.gov>. Subrecipients shall procure in accordance with Executive Orders 12549 and 12689, “Debarment and Suspension,” as set forth at 24 CFR part 24. All recipients of Florence CDBG funds must hold an active System for Award Management (SAM) registration.

#### 8. Contract Administration: *Drug-free Workplace*

The subrecipient agrees that it shall comply with the provisions of the *Drug-Free Workplace Act of 1988*, 24 CFR Part 21, by adopting, publishing, and furnishing to each employee a policy that adheres to the aforementioned Act as well as Article 13, Title 25, Chapter 5, Section 330 of the Code of Alabama, *Drug-Free Workplace Program of 1995* including:

- That the unlawful manufacture, distribution, dispensation, possession or use of a controlled substance is prohibited in the covered workplace and specifying the actions that will be taken against employees who violate the policy.
- Establishment of a drug-free awareness program to make employees aware of a) the dangers of drug abuse in the workplace; b) the policy of maintaining a drug-free workplace; c) any available drug counseling, rehabilitation, and employee assistance programs; and the penalties that may be imposed upon employees for drug abuse violations.
- Notification to employees that as a condition of employment on a Federal contract or grant, the employee must a.) abide by the terms of the policy statement; and b.) notify the employer, within five calendar days, if he or she is convicted of a criminal drug violation in the workplace.
- Imposition of a penalty on—or require satisfactory participation in a drug abuse assistance or rehabilitation program by—any employee who is convicted of a reportable workplace drug conviction.
- Make an ongoing, good faith effort to maintain a drug-free workplace by meeting the requirements of the Act
- Should a covered employee be convicted by a court of law of a criminal drug violation in the workplace, Subrecipients must notify the City of Florence 10 days after receiving such notice.

#### 9. Contract Administration: *Equal Employment Opportunity*

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Subrecipient shall comply with Executive Order 11246, which provides for Equal Employment Opportunity. The Executive Order prohibits federal contractors and federally-assisted construction contractors and subcontractors, who do over \$10,000 in Government business in one year from discriminating in employment decisions on the basis of race, color, religion, sex, or national origin. It also requires Government contractors to take affirmative action to ensure that equal opportunity is provided in all aspects of their employment.

Section 3 of the Housing and Urban Development Act of 1968 with implementing regulations at 24 CFR Part 135, also applies to employment and contracting opportunities. Section 3 requires that Subrecipients of CDBG funds, to the greatest extent feasible, provide job training, employment, and contracting opportunities for low- or very-low income residents in connection with projects and activities in their neighborhoods.

#### 10. Contract Administration: *Insurance Requirements*

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Subrecipients, at their sole cost and expense, for the full term of their CDBG Agreement (and any extensions thereof), shall obtain and maintain at minimum compliance with all of the following insurance coverage(s) and requirements.

- Such insurance coverage shall be primary coverage.
- Any insurance or self-insurance maintained by the City of Florence shall be excess of the Subrecipient's insurance coverage and shall not contribute to it.
- The City of Florence must be listed as an additional insured.

If the subrecipient utilizes one or more subcontractors in the performance of their CDBG Agreement, the Subrecipient shall obtain and maintain independent insurance as to each subcontractor or otherwise provide evidence of insurance coverage for each subcontractor equivalent to that required of the Subrecipient.

#### Types of Insurance and Minimum Limits

The following types of insurance and minimum limits are required by a Multi-Peril policy or equivalent combination of Mono-Line policies providing at least the following minimum coverage and limits of liability.

- Worker's Compensation written in accordance with the laws of the State of Alabama and providing coverage for any and all employees of the Subrecipient in the minimum statutorily required coverage amounts;
- Automobile Liability Insurance for each of Subrecipient's vehicles used in the performance of their CDBG Agreement, including owned, non-owned (e.g. owned by Subrecipients employees or contractors), leased or hired vehicles, in the minimum amount of \$500,000 combined single limit per occurrence for bodily injury and property damage. This insurance coverage may not be required if vehicle used by the Subrecipient is not a material part of performance of the CDBG Agreement and the Subrecipient receives explicit written approval from the City of Florence.
- Comprehensive or Commercial General Liability Insurance coverage in the minimum amount of \$1,000,000 combined single limit, including coverage for:
  - Bodily injury;
  - Personal injury;
  - Broad-form property damage;
  - Contractual liability;
  - Cross-liability;
  - Professional Liability;

#### Other Insurance Provisions

If any insurance coverage required is provided on a "Claims Made" rather than "Occurrence" form, the Subrecipient agrees to maintain the required coverage for a period of three (3) years after the expiration of their CDBG Agreement and any extensions thereof.

#### Endorsements

All required Automobile and Comprehensive or Commercial General Liability Insurance shall be endorsed to contain the following clause, with the exception that Endorsement (ii), providing for 30-day notices, is the only endorsement required to be made a part of the Worker's Compensation and Employers' Liability policy coverage.

*"The City of Florence, its employees, officers, agents and volunteers are hereby added as additional insureds, but only as respects work done by, for, or on behalf of the named insured under Agreement with the City of Florence. Thirty (30) days prior written notice shall be given to the City of Florence in the event of cancellation, reduction in coverage, or non-renewal of this policy for whatever reason."*

#### Proof of Coverage

A subrecipient shall provide its insurance broker(s) with a full copy of these insurance provisions and provide the City of Florence on or before the effective date of their CDBG Agreement with Certificate of Insurance for all required coverage.

Copies of all the required Endorsements listed above shall be attached to the Certificate(s) of Insurance or other evidence of insurance acceptable to the City of Florence, which shall be provided by Subrecipient's insurance company as evidence of the stipulated coverage. This Proof of Coverage shall then be mailed to the City of Florence at the following address:

City of Florence, Office of Planning and Community Development, 110 W. College Street, Suite 115, Florence, AL 35630

### 11. Contract Administration: *Political Activities*

Subrecipient shall not use CDBG funds to finance the use of facilities or equipment for political purposes or to engage in other partisan political activities, such as sponsoring candidate forums, distributing brochures, voter transportation, or voter registration.

However, a facility originally assisted with CDBG funds may be used on an incidental basis to hold meetings, candidate forums, or voter registration, provided that all parties and organizations have access to the facility on an equal basis and are assessed equal rent or use charges, if any.

#### [Hatch Act, Chapter 15, Title 5 U.S. Code](#)

The Hatch Act (Public Law 76-252), as amended, prohibits local Community Development Program officials or other personnel employed by a Community Development Program from undertaking certain political activities or from using Community Development funds for political activities. In addition, personnel covered under this Act may not be a candidate for elected office unless candidacies are nonpartisan.

The Hatch Act applies to employees of Subrecipients only if the statute through which the organization derives its federal funding contains a provision, which states that recipient organizations shall be deemed to be state or local government agencies for the purposes of the Hatch Act.

#### Anti-Lobbying

Section 319 of Public Law 101-121, of the Department of the Interior Appropriations Act, prohibits subrecipient from using appropriated Federal funds for lobbying the Executive or Legislative Branches of the Federal Government in connection with a specific contract, grant, or loan. Further, the law requires that no Federal appropriated funds have been paid or will be paid, by or on behalf of subrecipient to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

### 12. Contract Administration: *Religious Activities*

In accordance with First Amendment Church/State Principles, CDBG assistance may not be used for religious activities or provided to primarily religious entities. Subrecipients may not use CDBG funds for the acquisition of property or the construction or rehabilitation of structures to be used for religious purposes or which will otherwise promote religious interests.

However, CDBG funds may be used to rehabilitate buildings owned by primarily religious entities if the primarily religious entity agrees to provide all eligible activities under this program in a manner that is free from religious influences and to be used for a wholly secular purpose under certain conditions, as cited at 24 CFR 570.200(J)(1)(2)(3).

- **Likely Eligible:** A church hosts a weekly soup kitchen in their auditorium. No other activities are hosted in the auditorium. While the building as a whole is a religious institution and volunteers are often members of the congregation, there are no religious requirements or activities surrounding the soup kitchen, and no other activities take place in the auditorium. CDBG funds could thus be used to improve aspects of the auditorium, such as making the entrance of the auditorium handicap accessible.
- **Likely Ineligible:** A church runs a homeless shelter which **requires** residents to pray daily. This religiously-affiliated homeless shelter would not be eligible for CDBG improvements.

### 13. Contract Administration: *Timeliness of Fund Expenditure*

Unless an alternative spending plan has been approved in writing by the City of Florence, funds must be expended in the following manner:

- Public Service/Planning Activities: 100% by end of Program Year (April 30<sup>th</sup>)
- Improvements/Construction Activities: 100% by April 30<sup>th</sup> of the Following Year

#### Limitation of Expenditures

- The Subrecipient shall not expend funds provided under the contract prior to the commencement of the contract or subsequent to the suspension or termination of the contract.
- Expenditures shall be made in conformance with the approved budget and shall meet the criteria established for allowable costs.
- Expenditures shall be in direct support of the program that is the subject of the contract. The Subrecipient shall notify the City in writing of any expenditure for items jointly used for any other program(s) and the expenditures shall be apportioned according to the percentage of direct use in the program.
- Unspent funds cannot be carried forward and are forfeited.

### 14. Contracting & Project Implementation Timeline

Timeframe	Action	Responsible Party
Spring	City Council Reviews, Amends, Approves CDBG Budget	City
Spring	CDBG Budget is Submitted to HUD in the Annual Action Plan	City
Summer	HUD approves the City's Action Plan and releases funds	City
Summer	City funds Action Plan projects based on priority and need.	Subrecipient
Fall	Subrecipients submit budget and scope of work	Subrecipient

Prior to Bid	Subrecipients submit construction plans for review	Subrecipient
Before Contract Signing	City Staff Conduct an Environmental Review of all Projects	City
During Bidding	Submit documentation of MBE and WBE efforts.	Subrecipient
Before Contract Signing	Pre-Project Inspection	City
Fall	Subrecipients and the City sign Contract Agreement	Subrecipient + City
Annually (Audit Schedule)	Submit audited financial statements.	Subrecipient
Throughout Project	City Staff conduct onsite monitoring visits	Subrecipient + City
Quarterly, 15 <sup>th</sup> day	Submit beneficiary reports in July, October, January, and April	Subrecipient
Throughout Project	Submit regular requisitions for reimbursement	Subrecipient
Project Closeout	Submit Final requisitions for reimbursement before 4/30.	Subrecipient
Project Closeout	Final Inspection	City
Project Closeout	Subrecipients submit Closeout Report to the City.	Subrecipient

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## K. Memorandum of Understanding

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This policy provides requirements for entering and managing internal agreements with the Office of Planning and Community Development, and ensures internal agreements comply with appropriate timeframes, authorizations, and enforcements by formalizing them as internal Memorandums of Understanding (MOU). Internal Departments that become subrecipients of federal funds must agree to comply with provisions outlined in the Memorandum of Understanding (MOU) prior to work commencement.

### Applicability

This policy applies to departments who *coordinate services* with the Office of Planning and Community Development. These procedures will apply to internal Memorandums of Understanding (MOUs), between the Office of Planning and Community Development and other departments within the City of Florence that utilize or assist with coordination of service and/or activities funded by Federal funds. An internal MOU is intended to remain in force for an agreed period of time and establish an agreement between the parties as well as a record of understanding and responsibility. These procedures are not intended to establish an actionable formal legal contract.

### Form of Agreement

The MOU must be codified in writing and contain the following provisions:

- Identification of the departments that are parties to the agreement;

- Identification and contact information for the position and person responsible for implementing the agreement

#### Terms of the agreement

All internal MOU's must contain the following expressed provisions:

- "This MOU is intended only to set forth the general understanding of the parties with respect to the subject matter herein, and does not, and is not intended to contractually bind the parties."
- "This MOU sets for the complete understanding of the parties. It supersedes all prior agreements and negotiations, oral or written, with respect to this subject matter."

#### Approvals

All internal MOU's must be approved by the chief administrator of the departments and the chief elected official.

#### Amendment

Any MOU may be amended at any time before the termination date by approval of the parties. Amendments must be in writing and executed in the same manner as the original MOU.

#### Record Retention

All parties must retain a written, signed copy of the MOU in either print or digital format for the duration of the agreement. A fully executed copy of the MOU shall be maintained in the Office of Planning and Community Development for a period of six (6) years from the date of termination.

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### **L. Reimbursements and Spending Requirements**

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#### **Successful Completion of Requests for Payment**

The Office of Planning and Community Development will review each request for reimbursement submitted by the Subrecipient. Questionable or ineligible expenses will be identified and the Subrecipient will be requested to submit clarifications, corrections, or additional information. If a request for payment is reviewed and found to have errors or missing documentation, the invoice will be returned to the subrecipient with instructions for re-submittal. Requests for payment will not be made until all documentation and information has been satisfactorily provided to the City (including any outstanding reports or other requests for information).

A Request for Payment shall include:

- Letter Requesting Funds on Signed Letterhead
- CDBG Reimbursement Request Cover Page
- Race/Ethnicity Report
- Timesheets & Certified Payrolls
- Receipts/Copies of Bills

The amount charged to CDBG must be illustrated. Personnel time charged to CDBG must be based on actual time worked. Timesheets must be signed by both the employee and a supervisor.

Reimbursement of sales tax or items or services purchased prior to the beginning of the contract, or after the end of the program year is prohibited.



## Reimbursement Documentation

CDBG funds are paid to agencies on a reimbursement basis. Therefore, it is extremely important to verify the eligibility of an expense prior to expending your funds. Accuracy of submittals is important as errors slow down the process. When at all possible, do not use cash, as this does not provide a proper audit trail. When submitting a large payment request, please highlight the portions requested to be paid by the city in addition to utilizing either an excel spreadsheet or adding machine tape. In order for the city to reimburse the agency, documentation must be submitted to show who, what, when, and how the invoice was paid. Only copies of paid invoices which must be marked paid will be accepted. A quote or order form will not be accepted. In addition to the paid invoice, proof of payment must be kept onsite with the Subrecipient. For invoices paid by credit card, submit a copy of the statement showing the invoice was paid. Please highlight the amount paid on the receipt, and the reimbursable portion. Keep in mind when charging a percentage, the percentage of participants who are low-income City of Florence residents must be documented. To do this, provide a copy of the client roster, with their addresses and highlight the city residents. This permits verification of the percentage. Copies must be legible, please do not send the originals, as they are needed for your files. Receipts cannot be dated prior to the beginning of the program year (May 1st) or after the end of the program year (April 30th). If requesting payroll reimbursement, copies of certified payrolls must be submitted. Timesheets must be kept onsite as backup.

## Mileage and Travel

Per the IRS allowances found at IRS.gov, the CDBG program will reimburse those reasonable mileage and travel costs that are necessary to carry out the services identified in the Subrecipient's Agreement with the City. Mileage and travel expenses not necessary for the program, or of a personal nature, are not eligible for reimbursement.

Volunteers authorized by the program to be reimbursed for mileage relating to services for the program must provide proof of automobile insurance, copies of which must be kept at the Subrecipient's office.

- Mileage: A written mileage record identifying the driver of the vehicle, the number of miles driven on each day, and the purpose of the trip. The Subrecipient shall certify the accuracy of the information reported. Travel to and from work is not an eligible expense for mileage reimbursement.
- Travel: costs such as conferences, lodging, food, and other non-mileage costs. Supporting documentation must be provided with all requests for travel reimbursement. Generally, such agency is classified as "administration", and typically ineligible for reimbursement. As such, any travel anticipated should be reviewed and approved by the City prior to the cost being incurred.
- Local Travel: Defined as travel within Alabama.
- Out-of-State Travel: Approval for out-of-state travel must be requested in writing from the Office of Planning and Community Development at least 10 working days prior to the trip. The Assistant Director will review the request and provide a response within five (5) working days.

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## M. Monitoring of Subrecipients

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Subrecipients shall adhere to HUD's recordkeeping requirements as contained in 24 CFR Part 570 Subpart J. Please be aware that by accepting CDBG funds your organization records as a whole are open for review. Subrecipients shall develop and maintain a central filing system.

## Monitoring Reviews

The City of Florence is responsible for monitoring Subrecipients to ensure compliance with all regulations and requirements governing administrative, financial and programmatic operations. The monitoring process assures that performance goals are achieved within the scheduled time frame, program and project budgets are on track, and appropriate actions are taken to prevent or remediate issues. It is a rolling process consisting of site visits, review of quarterly reports, and administrative oversight throughout the contract period.

### Formal Monitoring Visit

The five basic steps to the formal monitoring visit include:

1. Notification Call or Letter: Explains the purpose of the visit, confirms date, scope of monitoring and outlines the information that will be needed to conduct the review.
2. Entrance Conference: Introduces monitoring visit purpose, scope and schedule.
3. Documentation and Data Gathering: The City will review and collect data and document conversations held with staff, which will serve as the basis for conclusions drawn from the visit. This includes reviewing client files, financial records, and agency procedures.
4. Exit Conference: At the end of the visit the City will meet again with the key agency representatives to present preliminary results, provide an opportunity for the agency to correct misconceptions and report any corrective actions already in the works.
5. Follow-Up Letter: The City will forward a formal written notification of the results of the monitoring visit pointing out problem areas and recognizing successes. The agency will be required to respond in writing to any problems or concerns noted.

### Ongoing Monitoring

The Office of Planning and Community Development will conduct an on-going monitoring process in order to review the programmatic and financial aspects of the Subrecipient's activities. The Office of Planning and Community Development will review quarterly reports submitted by the Subrecipient for compliance with federal regulations regarding the use of federal funds and the implementation of the program. The monitoring process is oriented towards resolving problems, offering technical assistance, and promoting timely implementation of programs. To this end, the Office of Planning and Community Development may require corrective actions of the Subrecipient. The following examples may trigger corrective action by the Subrecipient:

- Services are not documented;
- Goals are not being met;
- Program files not in order;
- Complaints by clients;
- Required reports not being submitted in a timely manner,
- Funding not spent correctly.

### Programmatic Monitoring

Subrecipients shall submit a monthly report detailing the implementation and administration of the activity or program. The monthly programmatic report is due to the Office of Planning and Community Development while services were provided and shall detail the following:

- Progress in meeting stated goals and objectives;
- Changes in staff or Board of Directors;
- Problems encountered and steps taken to resolve them;
- Client Summary that identifies the income, ethnicity, and household status of clients receiving CDBG-funded assistance within the reporting period;
- Other general information as appropriate.

#### On-Site Visits

Based on monitoring results and other criteria, the Office of Planning and Community Development may schedule an on-site visit with subrecipients whose performance does not appear to be sufficient in meeting the goals and achievements as outlined in the agreement. On-site monitoring visits may also be conducted in order to ascertain that eligible clients for whom the program was intended are being served and that in the event of an audit; the required client information is being maintained.

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#### N. Grievance Policy

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In all cases, the applicant will be informed in writing when CDBG funding shall be denied or withdrawn.

In accordance with 2 CFR 200, the City of Florence may suspend or terminate an Agreement if the *Grantee* materially fails to comply with any terms of their contract, which include (but are not limited to) the following:

1. Failure to comply with any of the rules, regulations or provisions referred to herein, or such statutes, regulations, executive orders, and HUD guidelines, policies or directives as may become applicable at any time;
2. Failure, for any reason, of the *Grantee* to fulfill in a timely and proper manner its obligations under this Agreement;
3. Ineffective or improper use of funds provided under this Agreement; or
4. Submission by the *Grantee* reports that are incorrect or incomplete in any material respect.

In accordance with 2 CFR 200, an Agreement may also be terminated for convenience by either the *Grantor* or the *Grantee*, in whole or in part, by setting forth the reasons for such termination, the effective date, and, in the case of partial termination, the portion to be terminated. However, if in the case of a partial termination, the *Grantor* determines that the remaining portion of the award will not accomplish the purpose for which the award was made, the *Grantor* may terminate the award in its entirety

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#### O. Amendments/Revisions

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This manual including its exhibits and forms may be revised periodically as deemed necessary by the City of Florence, the Office of Planning and Community Development, and/or HUD. Major revisions to the manual will require the approval of the Director of the Office of Planning and Community Development

Users of this manual are encouraged to check for updates at the Division’s website. Information may change for a variety of reasons, including changes to federal regulations, state requirements, and in the interpretation of a federal regulation or clarification of a requirement. Subrecipients are required to immediately comply with all changes and modifications to this manual including changes to federal and state regulations governing the use of CDBG funds that may or may not be explicitly listed herein. 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.

Comments and suggestions for changes, modifications, or improvements are encouraged, and should be submitted in writing to the Division.

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## P. Activities that Prevent, Prepare For, and Respond (PPR) to COVID

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### Tieback to COVID

Grantees of CDBG-CV funding must provide services or activities that prevent, prepare for, and/or respond to the global pandemic COVID-19. Grantees must document the tieback in the grant request that PPR to COVID.

### Duplication of Benefit

To prevent the duplication of benefits provided to agencies and small businesses the applicants are required to certify to each submission of request that there was not another source of funding being accepted for the same activities. In addition, the Community Development staff reviews the paycheck prevention program awards online at: <https://www.pandemicoversight.gov/data-interactive-tools/interactive-dashboards/paycheck-protection-program>.

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## Q. Program Forms

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Program forms may be revised periodically as deemed necessary by Program staff or HUD.

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## R. Glossary of Terms

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**Accrued:** term used to show expenses incurred in a prior fiscal year that are paid in the current fiscal year, but are charged back to the year in which the expenditures pertained.

**Action Plan:** An annual plan that outlines proposed housing and community development objectives, activities, and budget in the City of Florence. The plan includes information regarding federal, state, and local funding resources, a description of each activity to be implemented, and other actions that the City will take to address barriers to affordable housing, support anti-poverty strategies, and facilitate fair housing.

**Administrative Cap:** A maximum of 20 percent of the sum of the entitlement grant plus program income that is received during the program year may be spent on planning and administration costs.

**Allowability:** A term indicating whether an expense is eligible for the program and/or funding source.

**Allocability:** A term indicating whether cost may be charged to a federal award if it is a specific benefit to the program.

**Budget:** A plan of action expressed in financial terms.

**CDBG:** The Community Development Block Grant (CDBG) program is a flexible program that provides communities with resources to address a wide range of unique community development needs. Beginning in 1974, the CDBG program is one of the longest continuously run programs at HUD. The CDBG program provides annual grants on a formula basis to 1209 general units of local government and States.

**CDBG Recipient:** Local governments are known as grantees or recipients, and also referred to as units of general local government (UGLGs). Under the Entitlement CDBG Program, the City of Florence receives funding directly from HUD.

**CFR:** The Code of Federal Regulations (CFR) is the codification of the general and permanent rules and regulations (sometimes called administrative law) published in the Federal Register by the executive departments and agencies of the federal government of the United States. The CFR is divided into 50 titles that represent broad areas subject to federal regulation.

**Citizen:** Unless otherwise distinguished by HUD or applicable statute, citizen and resident are used interchangeably.

**Citizen Participation Plan:** Provides a guide for public input and participation in the Consolidated Plan process and is intended to encourage citizen participation in the definition of housing, community development and public service's needs.

**Conflict of Interest:** When an individual or organization is involved in multiple interests, one of which could corrupt or be perceived corrupt fair and objective allocation of funds or procurement of goods and services.

**Consolidated Annual Performance and Evaluation Report (CAPER):** An annual report prepared by the City of Florence in accordance with 24 CFR Part 91, on the objectives, activities, and budget set forth in the Annual Action Plan and the progress on the three-to five year.

**Consolidated Plan:** The Consolidated Plan is a three-to five-year strategic plan prepared by the City in accordance with 24 CFR Part 91, and describes needs, resources, priorities and proposed activities to be undertaken with respect to HUD's Office of Community Planning and Development CPD formula programs, including CDBG. An approved Consolidated Plan is one which has been approved by HUD.

**Contractors:** A contractor is an entity paid with CDBG funds in return for a specific service (e.g., construction). Contractors must be selected through a competitive procurement process.

**Cost Allocation:** The identification, aggregation, and assignment of centralized costs.

**Cost Allocation Plan:** A description of a process whereby services provided on a centralized basis (e.g., motor pools, computer centers, purchasing and accounting services) can be identified and assigned to benefited departments/agencies (e.g., the department/agency administering the CDBG program) on a reasonable and consistent basis.

**CPD:** The Office of Community Planning and Development (CPD) is an office within HUD. CPD administers and provides federal oversight of the CDBG program, along with other federal programs that provide decent housing, a suitable living environment, and expand economic opportunities for low- and moderate-income persons.

**Davis-Bacon Act:** Establishes the requirement for paying the local prevailing wages and fringe benefits, as determined by the U.S. Department of Labor, laborers and mechanics.

**Drawdown:** Refers to the process of requesting and receiving CDBG funds. Grantees draw down funds from a line of credit established by HUD, while subrecipients typically draw down funds from grantees.

**Economic Development:** Activities to improve the economic health and standard of living in Florence. Depending on the nature of the activity, eligible economic development activities may be subject to the Public Services or Administrative caps.

**Entitlement Community:** A city in a metropolitan area with a population of 50,000 or more, a principal city of a metropolitan area, or an urban county with a population of at least 200,000 (excluding the population of metropolitan cities located therein) that receives an annual allocation of CDBG funds directly from HUD under the CDBG Entitlement Program. An Entitlement Community is sometimes referred to by HUD as a grantee or recipient.

**Entitlement Grant:** Federal funds received by an entitlement community in a program year.

**Expenditures:** A term used to describe funds spent.

**Household:** All the persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any groups of related or unrelated persons who share living arrangements.

**Housing Rehabilitation:** Activities that assist homeowners with the repair, rehabilitation, or reconstruction of owner-occupied units.

**HUD:** CDBG funds are provided to states through the U.S. Department of Housing and Urban Development (HUD). HUD established the regulations and requirements for the program and has oversight responsibilities for the use of CDBG funds.

**HUD Guidelines:** All tools, guidebooks, trainings, notices, and other guiding materials and correspondence provided by HUD or CPD regarding the laws and regulations of CDBG Program.

**Integrated Disbursement and Information System (IDIS):** A nationwide database that provides HUD with current information regarding program activities and funding data. The City of Florence uses IDIS to fund and report on its CDBG Program.

**Income:** Adjusted gross income as defined by the IRS Form 1040.

**Indirect Costs:** Costs that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective.

**Indirect Cost Rate:** A device for determining in a reasonable manner the proportion of indirect costs each program should bear. It is the ratio (expressed as a percentage) of the indirect costs to a direct cost base.

**Indirect Cost Rate Proposal:** The documentation prepared by a governmental unit or subdivision thereof to substantiate its request for the establishment of an indirect cost rate.

**Low – and Moderate Income:** Low- and moderate income (also referred to in this manual as LMI) means family or household annual income less than the Section 8 Low Income Limit, generally 80 percent of the area median income, or a person within such household, as established by HUD.

**Low-Income Household/Family:** A household/family having an income equal to or less than the Section 8 Very Low Income limit (50% of the area median income) as established by HUD.

**Microenterprise:** A business that has five or fewer employees, one or more of whom own the enterprise.

**Minimum Contracting Standards:** A set of standards required before the execution of a Subrecipient Agreement. The standards indicate the minimum administrative and financial framework required to manage public funds.

**Minority Business Enterprise (MBE):** A business concern that is at least 51% owned by one or more individuals who are African American, Hispanic American, Native American, Asian Pacific American or Asian-Indian American; and whose management and daily business operations are controlled by one or more of these owners.

**Moderate-Income Household/Family:** A household/family having an income equal to or less than the Section 8 Low Income limit (80% of area median income) established by HUD, but greater than the Section 8 Very Low Income limit (50% of area median income) established by HUD.

**Neighborhood Services:** Services that benefit an entire neighborhood and correspond with the neighborhood's or census tract geographic boundaries.

**Obligations:** Funds set aside for specific purposes and/or items.

**OMB:** The Office of Management and Budget (OMB) is the largest office within the Executive Office of the President of the United States (EOP). The main function of the OMB is to assist the President in preparing the budget. The OMB issues budget instructions or information, known as circulars, to Federal agencies.

**Outlay:** Funds used by the agency to pay for goods and services prior to being reimbursed.

**Presumed Benefit:** Benefit a group of clientele that is presumed to be principally Low – and moderate income. Presumed benefit groups include abused children, battered spouses, severely disabled adults, homeless persons, illiterate adults, persons with AIDs, migrant farm workers, and elderly persons over 62-years-of-age.

**Program Income:** Program income is the gross income received or earned by the City and its subrecipients directly generated from the use of CDBG funds. Typically, these funds are in the form of fees for services.

**Program Year:** City of Florence's Program Year begins May 1 and concludes April 30 of the following year.

**Public Service Activity:** Eligible public service activities including but not limited to those concerned with employment, crime prevention, child care, health, homelessness, drug abuse, education, fair housing counseling, energy conservation, and welfare. To be eligible for CDBG assistance, a public service must be either a new service or a quantifiable increase.

**Public Services Cap:** A maximum of 15 percent of the sum of the entitlement grant plus program income that is received during the program year may be spent on public service activities.

**Resident:** Unless otherwise distinguished by HUD or applicable statute, resident and citizen are used interchangeably.

**Section 3:** Section 3 of the Housing and Urban Development (HUD) Act of 1968 established the Section 3 Program, which requires recipients of HUD financial assistance, to the greatest extent possible, provide job training, employment, and contract opportunities for low- or very low income residents in connection with projects and activities in their neighborhoods.

**Small Business:** The U.S. Small Business Administration is responsible for defining small businesses. Small Businesses are commonly identified by 500 employees or less for manufacturing and mining industries

and \$7.5 million or less in average annual receipts for non-mining industries. However, there are a number of exceptions.

**Statement/Scope of Work:** An exhibit of the subrecipient agreement which must include a project description, the national objective claimed, activity descriptions, intended beneficiaries (number and type), detailed budget and location(s) of program-related activity.

**Subrecipient:** An entity charged with implementation of one or more activities funded with CDBG dollars.

**Subrecipient Agreement:** A written agreement between the City of Florence and the subrecipient that is required before CDBG funds are disbursed.

**Substantial Amendment:** An amendment to the Action Plan or the Consolidated Plan as required when 25 percent of the original award for an activity or plans to utilize funds under a different activity category are proposed.

**Technical Assistance (TA):** Assistance to an entity by another entity more knowledgeable in the applicable subject field, resulting in increased capacity or knowledge of the assisted entity.

**Timeliness:** Carrying out CDBG-funded activities in a timely manner.

**Timeliness Spending Test:** A test conducted sixty days prior to the end of the current program year, to ensure that the amount of entitlement grant funds available to the City of Florence under grant agreements but undisbursed by the U.S. Treasury is not more than 1.5 times the entitlement grant amount for the current program year.

**Urgent Need:** Activities designed to alleviate existing conditions of recent origin (18 months) that pose serious threats to the health and welfare of the community; this objective may only be used if the community cannot finance necessary activities with other source.

**Women's Business Enterprise (WBE):** A business concern that is at least 51% owned by one or more women and whose management and daily business operations are controlled by one or more of these owners