



Cumberland County Redevelopment Authority Community Development Block Grant (CDBG) Program Policies and Procedures

The Community Development Block Grant (CDBG) Program is authorized under Title I of the Housing and Community Development Act of 1974, as amended. The primary objective of Title I of the Housing and Community Development Act of 1974 is the development of viable urban communities. These viable communities are achieved by providing the following, principally for persons of low and moderate income:

- Decent housing;
- A suitable living environment; and
- Expanded economic opportunities

To achieve these goals, the CDBG statute and regulations set forth eligible activities and the national objectives that each activity must meet. As recipients of CDBG funds, grantees are charged with ensuring that these requirements are met. The regulations implementing the CDBG Program are found at 24 CFR Part 570.

Key Definitions

Block Grant: A grant from central government which a local authority can allocate to a wide range of services.

CDBG Recipient: local governments are known as grantees or recipients. These participate in either the Entitlement Program (for cities in metropolitan areas over 50,000 in population, designated principal cities of metropolitan statistical areas or urban counties with more than 200,000 people). Under the States and Small Cities Program, states receive funding directly from HUD and provide it to small cities (non-entitled communities), also referred to as units of general local government. (See 'Entitlement Grantee' and 'State and Small Cities Program' below for more information)

Community-Based Development Organization (CBDO): CBDOs are generally nonprofit organizations that undertake specific kinds of CDBG-funded activities. CBDOs can be for-profit or nonprofit organizations but cannot be governmental entities. A CBDO may be designated as a subrecipient by the grantee.

Community Housing Development Organization (CHDO): A CHDO is a private nonprofit, community-based organization that has staff with the capacity to develop affordable housing for the community it serves. In order to qualify for designation as a CHDO, the organization must meet certain requirements pertaining to their legal status, organizational structure, and capacity and experience.

Consolidated Plan: The Consolidated Plan is prepared by the grantee in accordance with 24 CFR Part 91, and describes needs, resources, priorities and proposed activities to be undertaken with respect to HUD's 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.

Drawdown: Refers to the process of requesting and receiving CDBG funds. Grantees draw down funds from a line of credit established by HUD.

Entitlement Program: The Entitlement Program is the portion of the CDBG Program that provides formula grants to metropolitan cities and urban counties. The Entitlement Program is the largest component of the CDBG Program receiving 70 percent of CDBG appropriations. Participating grantees automatically receive an annual allocation of CDBG funds. The grant amounts are determined by the higher of two formulas: overcrowded housing, population and poverty; or age of housing, population growth lag, and poverty.

Entitlement Grantee: 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.

Family: Family, as defined in 24 CFR 5.403, includes, but is not limited to, the following, regardless of actual or perceived sexual orientation, gender identity, or marital status:

- ✓ A single person, who may be an elderly person, displaced person, disabled person, near elderly person, or any other single person (see further definitions in 24 CFR 5.403); or
- ✓ A group of persons residing together, and such group includes, but is not limited to: foster care is considered a member of the family);
 - An elderly family;
 - A near-elderly family;
 - A disabled family;
 - A displaced family; and
 - The remaining members of a family

Household: means all persons occupying a housing unit. The occupants may be a family, as defined in 24 CFR 5.403; two or more families living together; or any other group of related or unrelated persons who share living arrangements, regardless of actual or perceived, sexual orientation, gender identity, or marital status.

HUD: 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.

Income: Grantees may select any of three definitions of income: (1) Annual income as defined under Section 8; (2) Annual income as reported under the Census long form/American Community Survey; or (3) Adjusted gross income as defined by the IRS Form 1040.

Low and Moderate Income: Low and moderate income (also referred to in this manual as LMI) means family or household with an annual income less than the Section 8 Low Income Limit, generally 80 percent of the area median income, 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.
- ✓ 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.
- ✓ Below is an income chart indicating both 50% of median income and 80% of median income limits for FY 2024 in Cumberland County, Pennsylvania.

Median Family Income	\$97,900							
Very Low (50%) Income	\$34,300	\$39,200	\$44,100	\$48,950	\$52,900	\$56,800	\$60,700	\$64,650
Low (80%) Income	\$54,850	\$62,650	\$70,500	\$78,300	\$84,600	\$90,850	\$97,100	\$103,400

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

Person with disabilities: Means a person who:

- ✓ Has a disability, as defined in 42 U.S.C. 423;
- ✓ Is determined, pursuant to HUD regulations, to have a physical, mental, or emotional impairment that:
 - Is expected to be of long-continued and indefinite duration;
 - Substantially impedes his or her ability to live independently, and
 - Is of such a nature that the ability to live independently could be improved by more suitable housing conditions; or
 - Has a developmental disability as defined in 42 U.S.C. 6001.
- Does not exclude persons who have the disease of acquired immunodeficiency syndrome or any conditions arising from the etiologic agent for acquired immunodeficiency syndrome;
- For purposes of qualifying for low-income housing, does not include a person whose disability is based solely on any drug or alcohol dependence; and
- Means “individual with handicaps”, as defined in 24 CFR 8.3, for purposes of reasonable accommodation and program accessibility for persons with disabilities.

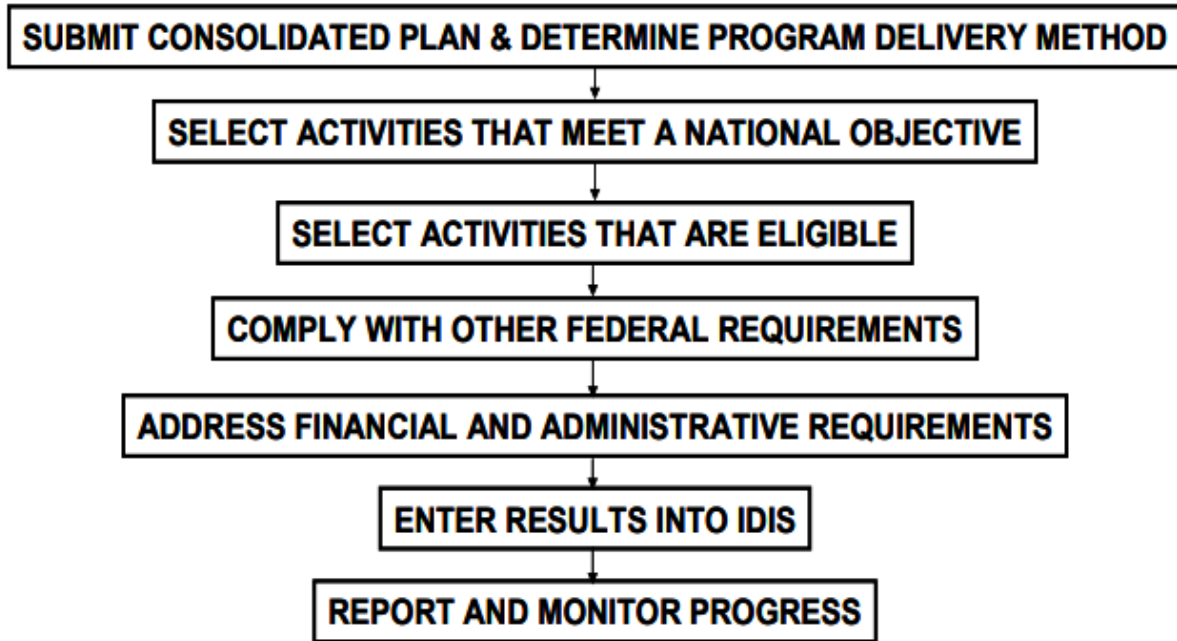
Responsible Entity: The Grantee receiving CDBG Assistance who is therefore responsible for completing an Environmental Review prior to funding any CDBG project.

Subrecipient: An entity that assists the recipient to implement and administer its program. Subrecipients are generally nonprofit organizations that assist the recipient to undertake one or more activities on behalf of the grantee such as administer a home rehabilitation loan program

or manage a job training program. More information on subrecipients is provided in Chapter 2 of this manual.

Program Implementation

The flow chart below outlines the key steps involved in implementing a CDBG program.



Eligible Activities

CDBG offers grantees a high level of flexibility in choosing program activities. Grantees are free to select those activities that best meet the needs of their communities, in accordance with the national objectives and other requirements of the CDBG Program.

Determining under which category of eligible activities an activity falls is very important for various reasons. The regulations and statutes place certain requirements and stipulations on certain categories and not others. For example, the regulations and statute cap the amount of CDBG funds that can be used for public service and program administration activities. Additionally, the category of eligibility may dictate the costs that are eligible, the national objective under which the activity falls, and the rules that are triggered.

- **Housing**
 - Housing services in connection with Home Investment Partnerships (HOME) Program activities (§ 570.201(k));
 - Construction of housing assisted under Section 17 of the U.S. Housing Act of 1937 (§ 570.201(m)) or construction of housing by eligible CBDOs (§570.204(a)) or as last resort housing under §570.207(b)(3)(i);

- Homeownership assistance (such as downpayment assistance and interest subsidies) (§570.201(n) or §570.201(e));
- Rehabilitation of buildings that are owner-occupied housing (§ 570.202). This also
- includes conversion of non-residential structures for residential use. The following types of rehabilitation activities may be undertaken:
 - Acquisition for rehabilitation and rehabilitation for residential purposes;
 - Labor, materials, etc. for rehabilitation of properties;
 - Loans for refinancing existing secured indebtedness;
 - Energy improvements;
 - Water efficiency improvements;
 - Connection to water and sewer lines;
 - Some homeowner warranty, hazard and flood insurance premiums;
 - Testing for and abatement of lead-based paint;
 - Costs of acquiring tools to be lent for rehabilitation;
 - Rehabilitation services;
 - Assistance for the rehabilitation of housing under Section 17 of the United States Housing Act of 1937; and
 - Removal of material and architectural barriers that restrict accessibility to eligible buildings
- Lead-based paint testing and abatement as a stand-alone program or included as
- rehabilitation as noted above (§ 570.202(f));
- Activities that support new housing construction such as acquisition (§570.201(a) and (b)), clearance (§570.201(d)), site improvements (§570.201(c)), and street improvements (§570.201(c)).
- **Other Real Property Activities**
 - Acquisition (§ 570.201(a));
 - Disposition (§ 570.201(b));
 - Clearance and demolition (§ 570.201(d));
 - Rehabilitation of publicly- or privately-owned commercial or industrial buildings (§ 570.202);
 - Code enforcement (§ 570.202(c));
 - Historic preservation (§ 570.202(d));
 - Renovation of closed buildings (§ 570.202(e));
 - Interim assistance to arrest severe deterioration or alleviate emergency conditions (§ 570.201(f))—Note: this activity may include some specific types of services, please refer to the regulations for more information;
 - Privately-owned utilities (§ 570.201(l));
 - Completion of urban renewal projects (§ 570.201(h))—Additional information about this activity may be found at § 570.800;
- **Public Facilities and Improvements**
 - CDBG funds may be used for the acquisition, construction, reconstruction, rehabilitation, or installation of public improvements or public facilities. (§ 570.201(c))

- “Public improvements” includes, but is not limited to, streets, sidewalks, water and sewer lines, and parks.
- “Public facilities” includes, but is not limited to, neighborhood/community facilities and facilities for persons with special needs (e.g. homeless shelters, group homes, and halfway houses).
- **Public Services (§ 570.201(e))**
 - Public services are also generally eligible under the CDBG Program (§ 570.201(e)), including but not limited to:
 - Job training and employment services;
 - Health care and substance abuse services;
 - Child care;
 - Crime prevention; and
 - Fair Housing counseling.
- **Economic Development**
 - Microenterprise assistance (§ 570.201(o));
 - Commercial Rehabilitation; and
 - Special economic development activities (§ 570.203).
- **Community Based Development Organizations (CBDOs) (§ 570.204)**
 - Neighborhood revitalization;
 - Community economic development; and
 - Energy conservation
- **Other Types of Activities**
 - Payment of non-Federal share of grants in connection with CDBG-eligible activities (§ 570.201(g));
 - Relocation assistance (§ 570.201(i));
 - Loss of rental income (related to relocation) (§ 570.201(j));
 - Technical assistance to public or nonprofit entities to increase the capacity of such entities to carry out eligible neighborhood revitalization or economic development activities (§ 570.201(p)); and
 - Assistance to institutions of higher education with the capacity to carry out other eligible activities (§ 570.201(q)).
- **Planning and Administration (§ 570.205)**
 - CDBG funds may be used for comprehensive plans;
 - Community development plans (including the Consolidated Plan);
 - Functional plans (for housing; land use and urban environmental design; economic development; open space and recreation; energy use and conservation; floodplain and wetlands management; transportation; utilities; historic preservation; etc.);
 - Other plans and studies (e.g., small area and neighborhood plans; capital improvements program plans; individual project plans; general environmental; urban environmental design; historic preservation studies; etc.); and
 - Policy planning, management, and capacity building activities.
 - Grantees (such as CCHRA) may use CDBG funds for program administration activities (§ 570.206). Such activities may include:

- General management, oversight and coordination; Public information;
- Fair Housing activities;
- Indirect costs;
- Submission of applications for Federal programs; and
- Costs to pursue Section 17 of the United States Housing Act of 1937.

Ineligible Activities

The general rule is that any activity not specifically authorized under the CDBG regulations and statute is ineligible to be assisted with CDBG funds. In addition, the regulations stipulate that the following activities may not be assisted with CDBG funds:

- Buildings for the general conduct of government are ineligible. However, the removal of architectural barriers from government buildings is eligible under the category of public facilities and improvements.
- General government expenses are ineligible.
- Financing for political activities or to engage in other partisan political activities are ineligible. However, a facility assisted with CDBG funds may be used on an incidental basis to hold political meetings, candidate forums, or voter registration campaigns, if the building is available to all community organizations on an equal basis.

The following activities may not be assisted with CDBG funds unless authorized as a special economic development activity or when carried out by a CBDO:

- Purchase of equipment is generally ineligible.
 - Compensation for the use of construction equipment through leasing, depreciation, or use allowances is eligible.
 - Fire protection considered an integral part of public facilities is eligible. This includes fire engines and specialized tools such as “jaws of life” and life-saving equipment as well as protective clothing worn by fire fighters.
- Purchase of personal property, including equipment, fixtures, motor vehicles, furnishings, or other personal property is generally ineligible.
- Operating and maintenance expenses (of public facilities, improvements, and services) are ineligible.
 - Specific exceptions to this general rule are operating and maintenance expenses associated with public service activities, interim assistance, and office space for program staff employed in carrying out the CDBG program;
- New housing construction is ineligible except under certain conditions or when carried out by a CBDO.
- Income payments made to an individual or family for items such as food, clothing, housing, or utilities are ineligible.
- One time grants, emergency type grants, or loans for such purposes may be eligible under the category of Public Services.

Operations

This operating manual provides an overview of the management of the Cumberland County Redevelopment Authority's CDBG Program. Since the CDBG regulations are complex and constantly changing, it is important to consult the HUD website as well as the HUD publications listed in the Table of Contents.

This operating manual is divided into four broad categories:

- I. Planning for the Next Program Year
- II. New Program Year
- III. On-Going Program Management
- IV. End-of-Year Reporting

A timetable of important tasks is included in Appendix A in order to assist with overall program management.

I. Planning for the Next Program Year

Each year, the County must prepare an Annual Action Plan (AAP), which is a comprehensive document that outlines the projects for the upcoming program year. In addition, every five years the County must prepare a Strategic Plan which outlines the goals for the next five-year period (the current Strategic Plan covers the Plan Year (FY) 2020 to FY 2024. Planning for both the AAP and Consolidated Plan may occur simultaneously. The AAP and Strategic Plan (if applicable) are due to HUD by the fall of each year; however, planning and preparation begins during the preceding spring. The following is a description of the major steps:

The Planning Process

Advise Local Non-Profit Public Service and Affordable Housing Providers of CDBG Application

Availability: CCHRA will notify interested organizations of the upcoming opportunity to apply for CDBG funds. Technical assistance is provided to help entities determine project eligibility and with the online application process. The County utilizes Neighborly Software to manage its CPD programs. Interested applicants apply online at

<https://portal.neighborlysoftware.com/cumberlandcountypa/participant>

First Public Hearing - The first step is to hold a public hearing in the fall. The purpose of this meeting is to solicit community input on the selection of the projects for the next program year. Notice of this open public meeting is posted on the Authority's website and published in the newspaper 10 days prior to the event.

Preliminary Activity List - Next, applications are organized by the Cumberland County Redevelopment Authority and scored for completeness, eligibility, and fundability. The evaluating team consists of the following Authority staff members: Assistant Director of the Redevelopment Authority of Cumberland County, and Programs & Grants Manager. The evaluating team reviews submitted application utilizing a scoring matrix to measure activity eligibility, need and applicant capacity and develops a preliminary list of activities and a budget based on priorities set in the Consolidated Plan as well as on community input. See Appendix C for Evaluation Sheet.

Draft AAP and Administrative Review – The Executive Director reviews the evaluating team’s funding recommendations and makes final adjustments to create administrative recommendations to be included in the Draft AAP. Final numbers are adjusted in the Draft AAP once PY Allocations are announced by HUD.

Community Development Committee-Second Public Meeting – A second public hearing is held by the Redevelopment Authority to solicit any additional community input on the projects and AAP. Notice of this open public hearing is posted on the Authority’s website and sent to interested nonprofits and citizens via email 10 days prior to the event. It is also advertised at several local public libraries. If significant revisions are made to the activity and/or budgets, the projects must be reevaluated for eligibility.

AAP and/or Consolidated Plan - The AAP and/or Consolidated Plan are entered into HUD’s Integrated Disbursement and Information System (IDIS). These documents describe the planned activities as well as the expected outcomes.

AAP Public Comment Period - The AAP is made available for a minimum of 30 days for public review and comment.

Board of Commissioners Resolution - At the conclusion of the 30-day public input period, a recommended funding packet is prepared by staff and forwarded to the Board of Commissioners for review and to pass a resolution endorsing the project list and budget. See Appendix B for the AAP Council Hearing Process.

AAP IDIS Submission - Submit the AAP to HUD through IDIS before the outlined due date.

Determining Eligibility of Projects

Each proposed activity must be reviewed carefully to determine if they are eligible for CDBG funding. Furthermore, the budget for the entire program year must be evaluated collectively to ensure that specific public service and administration caps in spending are not exceeded.

The following is a summary of the six steps that should be evaluated to determine the eligibility of the projects:

Step 1 - Is this a New Activity? - Eligible public service activities must be a new service or a quantifiable increase in the level of service to prevent the substitution of CDBG funds for recent support of public services by the grantee using local or State government funds; however, Public Service Activities that were funded previously with CDBG are eligible for continued funding through the CDBG program.

Step 2 - Is this an Eligible Activity? - All activities must fall within a category of explicitly authorized activities in the CDBG statute. A full description of all eligible activities can be found in the Chapter 2 of HUD's CDBG Desk Guide. Every activity should fall into one of the categories of eligible projects. Eligible activities are listed in the beginning of this guide as well as in 24 CFR Part 507.201 and the statutory justification for eligibility must be documented in the file. [HUD's Matrix Code Definitions](#) are used to clarify activity classifications.

Step 3 - Is this an Ineligible Activity? - The next step is to determine if the activity falls within a category of explicitly ineligible activities, despite its apparent inclusion within an authorized category. Categorically- and generally- ineligible activities are summarized in the beginning of this guide.

Step 4 - Does this activity meet a National Objective? - The next step is to determine if the proposed activity can meet one of the national objectives of the CDBG program. All activities must meet at least one of the following:

1. Provide a benefit to low- and moderate-income people;
2. Aid in the prevention or elimination of slums or blight; or
3. Meet an urgent community development need of recent origin.

Activities benefiting low- and moderate-income persons can qualify as an area, limited clientele, low/mod jobs or low/mod income housing benefit. This distinction is very important because it determines the kind of documentation required to establish project eligibility.

In the case of an area benefit, a service area must be determined for each activity. While the service area is determined by the County, HUD does provide the following guidance:

- A map documenting each service area must be kept in the project file.
- The service area must be the entire area served by the activity.
- Activities of the same kind that serve different areas must be considered separately on the basis of their individual service area. This means that, if the grantee has a program that provides for sidewalks to be installed throughout the entire community during a CDBG program year, it would need to break this activity down into separate activities based on the different areas that the sidewalk would serve.
- 51% of the population in the service area must be low/mod.

The list of clientele presumed by HUD to be principally low/mod is as follows: abused children, elderly persons, battered spouses, homeless persons, severely disabled adults, illiterate adults, persons living with AIDS, and migrant farm workers (note: severely disabled children are not presumed to be low/mod).

National Objectives are noted at 24 CFR 570.208 and a notation must be made to the project file as to the statutory justification for funding the activity.

Step 5 - Determine the Public Services and Administrative Cap - After the preliminary CDBG activity list has been developed, the next step is to confirm that the budget does not exceed the Public Services or Administrative caps.

- **Public Services Cap:** The dollar amount of CDBG funds obligated within a program year to support public service activities may not exceed the sum of 15% of the annual grant allocation plus 15% of program income received during the prior year.
- **Administrative Cap:** The dollar amount of CDBG funds obligated within a program year to support overall program administration may not exceed the sum of 20% of the annual grant allocation plus 20% of program income received during the program year.

Step 6 - What are the Performance Measurements? - Performance measurements are chosen for each activity in this final step.

While this is not an evaluation criteria like the other steps, the assignment of specific performance measurements is required for the preparation of the AAP. The outcomes and objectives are described in detail in the HUD Manual, Basically CDBG for Entitlement Communities. There are three possible outcomes: availability/accessibility, affordability, and sustainability. Likewise, there are three possible objectives: suitable living environment, decent housing, and economic opportunity. Keep in mind the following points when choosing the Performance Measurements:

- Pick one outcome and one objective for each activity. In most cases, more than one category will apply but HUD is leaving it up to the discretion of the grantee to choose the most appropriate category.
- Proposed goals will be listed in the AAP. It is important to put realistically achievable goals in the AAP so they will be met during the program year.
- Progress on achieving the goals will be tracked through entries into IDIS during the Program Year. Final progress will be reported on in the CAPER.

Documenting Activity Eligibility & National Objectives

All persons assisted with CDBG funds must be low-to-moderate income unless clients have "Presumed Benefit" status. In order to document eligibility, an income verification form must be completed by each client. If the client is under the age of 18, the form should be completed by the client's parent or legal guardian. Unless subrecipient clients are presumed by HUD to be low-income (see Note: Presumed Benefit, following), actual verification of the household income must also be provided.

Documentation of income must be obtained for each client prior to providing services from CDBG. A recent pay stub, showing year-to-date income (including overtime), is an acceptable means to do this. Using the pay stub, you can then project their income forward for 12 months to determine annual income for purposes of the grant. If they were paid in cash, and no other documentation can be produced, the client must sign a form, under penalty of perjury, stating their income. The client should be made to understand that they are signing a legal document, and that they are certifying the truth of the information in the entire document.

Alternatively, income eligibility may be determined by provisions set forth in 24 CFR 570.506(b).

Presumed Benefit: Clients who are abused children, battered spouses, elderly persons (age 62 and up), severely disabled persons (see the CDBG Eligibility Certification Form Instructions for this definition), homeless persons, persons with AIDS, illiterate persons, or migrant farm workers are presumed - by HUD to be low-income. If you provide service only to persons in these categories, you do not need to maintain income records.

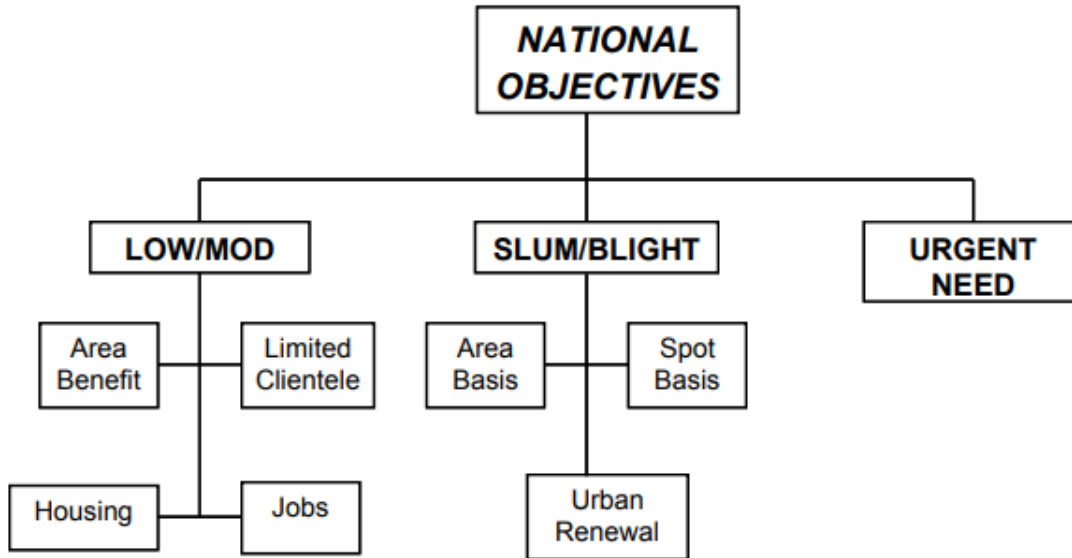
National Objectives

The authorizing statute of the CDBG program requires that each activity funded, except for program administration and planning activities, must meet one of three national objectives. The three national objectives are:

1. **Activities Benefiting Low/Moderate Income Persons**
2. **Aiding in the Prevention or Elimination of Slums or Blight**
3. **Meeting a Need Having a Particular Urgency (Referred to as 'Urgent Need')**

An activity that does not meet a national objective is not compliant with CDBG requirements and may be subject to remedial actions.

The following exhibit depicts the different categories associated with each of the national objectives.



Activities Benefitting LMI Persons

This is often referred to as the “primary” objective because the statute requires that recipients expend at least 70% of their CDBG funds to benefit LMI persons.

Applicants must also ensure that the activities proposed, when taken as a whole, will not benefit moderate-income persons to the exclusion of low-income persons. This does not mean that each activity has to include both low- and moderate income beneficiaries, but it further ensures that the CDBG program will primarily benefit low-income persons.

The LMI nation objective can be met by four different methods:

- Area benefit activities;
- Limited clientele activities;
- Housing activities; or
- Job creation or retention activities

Low Mod Area Benefit

The area benefit category is the most commonly used national objective for activities that benefit a residential neighborhood. 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:

- Acquisition of land to be used as a neighborhood park;
- Construction of a health clinic;
- Improvements to public infrastructure like the installation of gutters and sidewalks; and
- Development of a community center.

The activities listed above benefit all LMI residents in a service area and thus are the type of activities that may qualify under the LMI area benefit category for the purposes of meeting a national objective.

Grantees are responsible for determining the service area of an activity. HUD will generally accept a grantee's determination as long as it complies with CDBG regulations.

Low Mod Limited Clientele

The limited clientele category is a second way to qualify specific activities under the LMI benefit national objective. Under this category, 51 percent of the beneficiaries of an activity have to be LMI 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 of activities that qualify under the limited clientele category include:

- Acquisition of a building to be converted into a shelter for the homeless;
- Rehabilitation of a center for training severely disabled persons to enable them to live independently;
- Clearance of a structure from the future site of an neighborhood center that will exclusively serve the elderly; and
- Public service activities like the provision of health services.

The listed examples qualify under the limited clientele category because the beneficiaries can be identified as LMI residents.

Low Mod Housing Activities

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.

Examples of eligible activities include, but are not limited to:

- Acquisition of an apartment house to provide dwelling units to LMI households at affordable rents, where at least 51 percent of the units will be occupied by LMI households;
- Site improvements on publicly-owned land to serve a new apartment structure to be rented to LMI households at affordable rents;
- Housing rehabilitation for single family units;

- Conversion of an abandoned warehouse to be reconfigured into new apartments, where at least 51 percent of the units will be occupied by LMI households at affordable rents.

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.

Low Mod Job Creation or Retention Activities

The job creation and retention LMI benefit national objective addresses activities designed to create or retain permanent jobs, at least 51 percent of which (computed on a full-time equivalent basis) will be made available to or held by LMI persons.

Some examples of activities that qualify when at least 51 percent of jobs created/retained will be for LMI persons include:

- Clearance activities on a site slated for a new business;
- Rehabilitation activity that will correct code violations and enable a business to survive and retain jobs;
- Financial assistance to a manufacturer for the expansion of its facilities that is expected to create permanent jobs; and
- Assistance to expand a small house cleaning service with four employees that agrees to hire three additional LMI employees.

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.

Elimination of Slums and Blight

The focus of activities under this national objective is a change in the physical environment of a deteriorating area.

There are three categories that can be used to qualify activities under this national objective:

- Prevent or eliminate slums and blight on an area basis;
- Prevent or eliminate slum and blight on a spot basis; or
- Be in an urban renewal area.

Slum Blight Area Basis

This category covers activities that aid in the prevention or elimination of slums or blight in a designated area. Examples of activities that qualify when they are located within the slum or blighted area include:

- Rehabilitation of substandard housing located in a designated blighted area when the housing is brought to standard condition;
- Infrastructure improvements in a deteriorated area; and
- Economic development assistance in the form of a low-interest loan to a business as an inducement to locate a branch store in a redeveloping blighted area.

Eligible activities must address one or more of the identified conditions that contributed to the deterioration of the area.

Slum Blight Spot Basis

These are activities that eliminate specific conditions of blight or physical decay on a spot basis and are not located in a slum or blighted area. Examples include:

- Acquisition and demolition of a dilapidated property;
- Rehabilitation of a decayed community center that eliminates code violations that are detrimental to the health and safety of potential occupants like faulty wiring, falling plaster, or other similar conditions;
- Preservation of a deteriorated building of historic significance; and
- Financial assistance to a business to demolish a decayed structure

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.

Urgent Need

Use of the urgent need national objective category is rare. It is designed only for activities that alleviate emergency conditions. Examples 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 of 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; and
- Special economic development assistance to a grocery store that was damaged by an earthquake.

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 grantee is unable to finance the activity on its own; and
- Other sources of funding are not available.

Activities may qualify for more than one national objective category. If an activity meets the LMI benefit national objective, then the best decision for most grantees will be to use the LMI benefit national objective because of the 70 percent requirement associated with that national objective.

Grantees must maintain records that funded activities meet one of the national objectives. The records depend on the national objective category.

The timing of documentation for activities is an important consideration. Compliance with national objectives can be documented upfront for a number of the categories. Some national objectives have to be documented over time.

Considerations for Great Applications

When preparing an application for CDBG funding, the subrecipient should self-evaluate based on several criteria that the Community Development team will be looking for:

1. Does the project meet a national objective, and is that national objective properly documented? Does the project address an established and documented need?
2. Is the application properly attributed to the correct type of funding (Normal CDBG vs. Public Services, CHDO, etc.)? Is it being submitted to the proper authority and to the relevant CDBG grantee?
3. Does the application give a realistic depiction of the current state of the project and the subrecipient's plan to move forward? Are there identifiable and measurable goals included (number of households to be served, number of units to be purchased/installed, number of affordable housing units to be created/preserved, etc.)?
4. It is made clear whether this year's funding is to be used on a standalone project, or is part of a phased plan? Are prior years' funding amounts expended or almost expended? Are all previous reporting requirements fulfilled?
5. Have staff and resources been identified to carry out the major tasks of this activity?
6. Is the project sustainable beyond the initial funding year? What other funding has the activity already received?
7. Is the subrecipient aware of the expected regulatory, reporting, and documentation standards tied to their activity? Are they capable of following these standards?
8. Was the application completed accurately and completely, including completing the 'Submit' screen?

III. New Program Year

This section of the manual outlines the tasks that must be completed at the beginning of the Program Year in July.

Subrecipient Training

The Authority will schedule and host a subrecipient training for all organizations or persons awarded CDBG funding for the current program year. The training will be divided into two separate sessions based upon the classification of Annual Goal Supported, i.e., Provide Vital Public Services, Increase and Preserve Affordable Housing, or Public Facilities. Those with projects supporting a Public Services initiative will receive separate training due to differing compliance requirements.

The training will be provided free of charge and is mandatory for all subrecipients. Subrecipients may designate a CDBG Compliance Officer or send relevant staff to attend; the attending staff will receive materials and documents to support them in their upcoming compliance endeavors as well as one-on-one support with Authority staff.

The ultimate goal of subrecipient training is to greatly reduce or eliminate compliance issues that may affect the County's total amount of funding each year.

Release of Funds/Environmental Review

At the start of the Program Year, once the Annual Action Plan has been approved by HUD, the municipality prepares an ERR to ensure that projects funded with federal CDBG funds will not have a negative impact on the environment or historical resources. The Authority utilizes the HUD Environmental Review Online System (HEROES) to complete the environmental review process.

Once the determinations have been made, and the public has an opportunity to review the findings (if applicable), and comment on them if they desire, a Request for Release of Funds is submitted to HUD. Once the Authority receives an Authorization to Use Grant Funds, the environmental review process may be marked complete. Exempt activities do not require a Request for Release of Funds.

The purpose of the environmental review process is to analyze the aggregate effect a proposed project will have on the people and the natural environment within a designated project area and the effect the material and social environment may have on a project. The environmental review is intended to analyze all phases of a proposed project, not just the current phase or the phase(s) funded through CDBG.

Grantees who receive CDBG funds are considered responsible entities and must complete an environmental review of all project activities prior to obligating CDBG funds. This requirement also applies to projects funded with CDBG generated program income.

To begin the environmental review process, funding recipients must first determine the environmental classification of the project. The term "project" can be defined as an activity or group of activities geographically, functionally, or integrally related, regardless of funding source, to be undertaken by the CDBG recipient, subrecipient, or a public or private entity in whole or in part to accomplish a specific objective.

Regardless of the number of activities associated with a project, a single environmental review is required. Aggregating related activities ensures the recipient adequately addresses and analyzes the separate and combined impacts of a proposed project.

Certain activities are by their nature highly unlikely to have any direct impact on the environment. Accordingly, these activities are not subject to most of the procedural requirements of environmental review. Listed below are examples which may be exempt from environmental review.

- Environmental and other studies;
- Information and financial services;
- Administrative and management activities;
- Engineering and design costs;
- Interim assistance (emergency) activities if the assisted activities do not alter environmental conditions and are for temporary or permanent improvements limited to protection, repair or restoration actions necessary only to control or arrest the effects of disasters or imminent threats to public safety or those resulting from physical deterioration;
- Public service activities that will not have a physical impact or result in any physical changes;
- Inspections and testing of properties for hazards or defects;
- Purchase of tools or insurance;
- Technical assistance or training;
- Payment of principal and interest on loans made or guaranteed by HUD.

Activity Set-Up

Before any funds can be spent on a new activity, the following preparation must be taken:

Step 1 - Activity File:

This Activity file includes all information on the activity including a description of the activity, the HUD matrix code, outcome and objective, projected number assisted, and the amount budgeted for the project.

Step 2 - Activity Documentation:

Appropriate documentation for each activity will be kept in each activity file. The documentation required for different types of activities varies.

Step 3 - Subrecipients:

Additional documentation is required if an activity is carried out by a subrecipient rather than the Authority. A signed Subrecipient Agreement must be on file between the Authority and the organization which must be executed after the completion of the environmental review. The agreement stipulates the amount of the grant as well as the services to be provided by the organization. Additionally, a Memorandum of Understanding must be signed by Authority departments receiving CDBG funds for projects.

Step 4 - IDIS Set-Up:

After the activity files are established and required documentation is assembled, each activity must be set- up in HUD's IDIS system. In general, there are three steps to setting up new activities each year: set up the project; set up the activity; and fund the activity.

IV. Ongoing Program Management

In addition to carrying out the day-to-day monitoring of the specific activities, several other program management tasks must be conducted throughout the year to ensure full compliance with CDBG rules and regulations.

Program Subrecipient Monitoring

Who are CDBG Subrecipients? Subrecipients (sometimes referred to as “subgrantees”) are entities that are provided CDBG funds by a grantee for their use in carrying out agreed-upon, eligible activities. There are three basic kinds of subrecipients:

- Governmental agencies are public agencies, commissions, or authorities that are independent of the grantee’s government (for example, a public housing authority or a park district). Grantee public agencies undertaking CDBG assisted activities are subject to the same requirements as are applicable to subrecipients (§570.501(a)).
- Private non-profits are usually, but not always, corporations, associations, agencies, or faith-based organizations with non-profit status under the Internal Revenue Code (Section 501(c)(3)), usually with a board of directors and an executive director in charge of daily administration. Examples of private non-profits include private social services agencies (such as those providing job training or counseling, or day care providers), Community Development Department corporations, faith-based housing development groups, and operators of homeless shelters.
- A limited number of private, for-profit entities can qualify as subrecipients when facilitating economic development by assisting microenterprises under the provisions of 24 CFR S70.201(o).

Program Monitoring Goals:

- To review sub-recipient agencies to determine if services are being delivered in accordance with contract requirements as to type of services and number of units of service.
- To review records of sub-recipient agencies to determine if systems are in place to properly document the provision of services, client eligibility, and compliance with any other contract requirements.

Fiscal Monitoring Goals:

- To review sub-recipient agencies to determine if expenditures of allocated funds are being made in accordance with contract requirements.
- To review records of sub-recipient agencies to determine if systems are in place to properly document financial transactions, the use of allocated funds, use of program income, and any other contract requirements. Program and fiscal monitoring may or may not be scheduled concurrently. In some cases it may be necessary to perform a follow up monitoring visit.

Program Monitoring Process:

In preparation for the monitoring visit, have the assigned monitor(s) review all the written data already stored in-house, such as:

- The subrecipient's application for CDBG funding;
- The written agreement with the subrecipient;
- Progress reports;
- Drawdown requests;
- Documentation of previous monitoring; and
- Copies of audits

The Housing and Community Development staff will contact the subrecipient to arrange for a monitoring visit. The subrecipient will be informed regarding the initial records to be reviewed. These records should be ready for review upon the monitor's arrival and available at the working space set up for the monitor. The major components of the quarterly monitoring are described further below.

Data Collection: HUD requires a variety of data (income, race, number served, etc.) be collected for all activities. The data collection form for each activity should be kept in the activity file.

Schedule: If an activity is behind schedule, it may be necessary to revise the schedule or reprogram funds if the delays are expected to continue. Notes regarding the schedule changes should be made in the activity file.

Quality Assurance: The Community Development Department will review the activity files on a quarterly basis. This review will include a review of required documentation, schedule, and data collection.

The Authority may alternately implement virtual monitoring procedures to meet these requirements. Annual monitoring usually takes place in February.

Corrective Action and Sanctions

An organization who exhibits signs of noncompliant behavior may be subjected to an Audit. Audits will result in a comprehensive list of concerns (potential weaknesses in project designs which may become a finding in the future if not addressed) and findings (material deficiencies in operations or program performance which is a violation of statutory, regulatory, or program requirements). Both concerns and findings will be addressed at the time of monitoring and resolution of the findings will be tracked in a corrective action plan. Resolution will be required before the project can continue receiving funding. Continuous noncompliance may result in the Authority requiring more frequent or more thorough reporting, more frequent monitoring, restricting payment requests or requiring additional documentation for requests, disallowing expenses or requiring repayment, temporarily suspending the subrecipient or their project, disallowing renewal for future years' funding, terminating the subrecipient in current year funding, or initiating legal action.

Reprogramming Funds

The Redevelopment Authority is required by statute to use their CDBG funds in a timely manner. The CDBG timeliness standard requires that the Authority have no more than 1.5 times the amount of its last annual grant in its CDBG line-of-credit 60 days prior to the end of the current program year. The annual review of all activities will ensure that funds are spent in a timely manner. Follow the steps below if it is determined that the reprogramming of funds is necessary:

- **Determine Budget:** Determine the dollar amount of funds to be reprogrammed
- **Public Input:** In keeping with the Authority's Citizen Participation Plan, hold a public meeting to solicit community input on the selection of the projects. Notice of this open public meeting should be published in the newspaper 10 days before the event (sample public notice language is in Appendix B).
- **Preliminary Activity List:** Next, develop a list of proposed activities. These can be existing activities in need of supplementary funding of new activities not previously identified in the AAP. All projects should be evaluated in the same manner described in Section I. This includes recalculating the Public Services and Administrative Caps.
- **Amend AAP:** The AAP should be amended to reflect the changes
- **Public Input on Revised AAP:** The public should be given 30 days to review the revised AAP.
- **Pass Board of Commissioners Resolution:** Pass Board of Commissioners resolution listing how the funds will be reprogrammed.
- **IDIS Changes:** Make changes in IDIS. Add new projects and close completed projects.
- **Submit Revised AAP to HUD**

V. End of Year Reporting

CAPER

The Program Year ends on June 30th each year. The final report for the program year, the CAPER, is due to HUD 90 days after the approval of the proceeding year's AAP. Like the AAP, the narrative portion of this report should be completed using IDIS. Several IDIS reports are included in the report. Performance Measurements data must be collected for all open projects. As a result, it is imperative that all inactive IDIS projects be closed and that all accomplishment data is up to date. The CAPER should be made available for public review for 15 days. Notice of this public review will be posted online and should be placed in the newspaper. The CAPER is submitted to HUD via IDIS at the conclusion of the public review period.

Labor Compliance

Procurement

The federal government has set standards and procedures for procurement that are intended to ensure that supplies, equipment, construction and other services acquired in whole or part with federal funds are 1) obtained as efficiently and economically as possible and 2) procured in a manner that provides, to the maximum extent practical, open and free competition. All solicitations must clearly explain all the requirements that the bidder must fulfill in order for subrecipients to evaluate the bid. Goods and services solicitation must be clear and accurately describe the material, product or service to be procured. Furthermore, the solicitation must not contain features which unduly restrict competition. All procurement must comply with standards set out in 2 C.F.R. sections 200.318 – 200.326.

Examples of restricting competition include but are not limited to:

- Placing unreasonable qualifying requirements on firms.
- Requiring unnecessary experience and excessive bonding.
- Specifying only "brand name" products instead of allowing "an equal" product.

- Noncompetitive pricing practices between firms and affiliated companies.
- Noncompetitive awards to consultants on retainer contracts.

All awards must be made to the bidder whose bid is responsive to the solicitation and most advantageous to the sub-recipient. Any and all bids may be rejected when it is in the interest of the sub-recipient to do so. The sub-recipient must ensure that the award is only made to responsible contractors possessing the ability to perform successfully under the terms and conditions of the proposed procurement.

Debarred Contractors

HUD maintains a list on their web site of contractors who have been barred from competing for HUD contracts. Before awarding a bid, the sub-recipient must check the web site Federal Excluded Parties List website to be sure that its contractor is not on the de-barred list. For any contractor on the de-barred list, the use of CDBG funds is prohibited. Print the HUD web page that states that no record was found regarding your contractor and place it in your files.

Small Purchasing

The small purchase procedures allow recipients to acquire goods and services totaling no more than \$100,000, without publishing a formal request for proposals or invitation for bids.

- This method of procurement is typically used to purchase commodities such as equipment or other materials.
- In the event that a grantee is purchasing materials that will exceed \$100,000, they must use the sealed bid process.

The small purchases method can also be used to acquire eligible types of services, such as professional consulting, environmental review, or planning. This method cannot be used if the services contract will exceed \$100,000 in value. If the services contract will exceed \$100,000, the grantee must issue an RFP under the competitive proposals approach (see below).

In general, the small purchases procedures also should not be used to acquire construction contractors. It is recommended that these acquisitions occur under the sealed bid approach outlined below.

Under the small purchases method, grantees send a request for quotes to potential vendors with a detailed description of the goods or services needed. In return, they receive competitive written quotations from an adequate number of qualified sources.

- Each quote should include pricing information that allows the grantee to compare costs across bidders and ensure cost reasonableness.
- Documentation of the quotes shall be maintained in the grantee's files.

The award should be made to the lowest responsive and responsible source.

Sealed Bids (Formal Advertising)

Sealed bids (Formal Advertising) should be used for all construction contracts or for goods costing more than \$100,000. Competitive sealed bidding requires publicly solicited sealed bids and a firm-fixed-price lump sum or unit price contract is awarded to the responsible bidder whose bid,

conforming with all the material terms and conditions of the invitation for bids, is lowest in price. In order for formal advertising to be feasible, the following minimum conditions must be present:

- A complete, adequate and realistic specification or purchase description is available.
- Two or more responsible suppliers are willing and able to compete effectively for a grantee's business.
- The procurement lends itself to a firm fixed-price contract, and the selection of the successful bidder can appropriately be made principally on the basis of price.

When the competitive sealed bid (formal advertising) process is used, the following requirements apply:

- **Publication Period:** The invitation for bids must be publicly advertised and bids solicited from an adequate number of suppliers. The publication should be published at least once in a newspaper of general circulation, providing sufficient time prior to bid opening. If the publication period is not of sufficient time to attract adequate competition, the bid may have to be re-advertised.
- **Clear Definition:** The invitation for bids, including specifications and pertinent attachments, must clearly define the items or services needed in order for bidders to properly respond to the invitation.
- **Public Opening:** All bids must be opened publicly at the time and place stated in the invitation for bids. The public is allowed at that time to review the bids.
- **Selection and Contracting:** A firm-fixed-price contract award must be made by written notice to the responsible bidder whose bid, conforming to the invitation for bids, is lowest. Where specified in the bidding documents, factors such as discounts, transportation costs, and life cycle costs must be considered in determining which bid is lowest.
- **Rejection of All Bids:** All bids may be rejected when sound documented reasons exist. Such documentation shall be made a part of the files.

Competitive Proposals

Competitive proposals are used to purchase professional services where the total cost will exceed \$100,000. Under this procurement method, the grantee must publish a written request for submissions and then review these submissions based on established selection criteria. The grantee must solicit proposals from an adequate number of qualified sources. Under this approach, there are two possible methods of soliciting proposals.

- A request for proposals asks that offerors submit both qualifications and cost information.
- A request for qualifications can be used for purchasing architecture and engineering services. It only asks for information on the offeror's expertise/experience and not on cost, subject to a negotiation of fair and reasonable compensation. When acquiring any service that is not architecture or engineering, the full RFP process must be used.

When Competitive Proposals are utilized, the following requirements apply.

- **Publication Period:** Proposals must be solicited from an adequate number of qualified sources and an advertisement must be published. RFPs/RFQs should be published in a sufficient timeframe before the proposals/qualifications are due.

- **Clear Definition:** The RFP/RFQ must identify the general scope of work and all significant factors of evaluation, including price where appropriate, and their relative importance.
- **Technical Evaluation:** The grantee must provide a mechanism for technical evaluation of the proposals received, determinations of responsible offeror and the selection for contract award.
- **Award:** Award may be made to the responsible offeror whose proposal will be most advantageous to the procuring party, price and other factors considered. Unsuccessful offerors should be notified promptly. The contract can be either a fixed price or a cost reimbursement type.

Conflict of Interest

Grantees must develop and maintain a written code of standards that helps to prevent conflicts of interest in procurement. This written code of conduct must apply to all employees, officers, agents of the grantee, members of their immediate family, and partners. The code shall prevent financial interest or other benefits earned for any of these persons due to a CDBG-related procurement action. These persons also cannot solicit or accept gratuities, favors or other items of monetary value from contractors. Grantees are allowed to establish minimum thresholds below which the financial interest is not substantial or is of nominal value.

Labor Standards

The following labor laws may apply to CDBG-funded construction work:

- **The Davis-Bacon Act** (40 USC, Chapter 3, Section 276a-276a-5; and 29 CFR Parts 1, 3, 5, 6 and 7) is triggered when construction work over \$2,000 is financed in whole or in part with CDBG funds. It requires that workers receive no less than the prevailing wages being paid for similar work in the same area. Davis-Bacon does not apply to the rehabilitation of residential structures containing less than eight units or force account labor (construction carried out by employees of the grantee). HUD should be contacted if there is any situation where the applicability of Davis-Bacon is in question.
- **The Copeland Anti-Kickback Act** (40 USC, Chapter 3, Section 276c and 18 USC, Part 1, Chapter 41, Section 874; and 29 CFR Part 3) requires that workers be paid weekly, that deductions from workers' pay be permissible, and that contractors maintain and submit weekly payrolls.
- **The Contract Work Hours and Safety Standards Act** (40 USC, Chapter 5, Sections 326-332; and 29 CFR Part 4, 5, 6 and 8; 29 CFR Part 70 to 240) applies to contracts over \$100,000 and requires that workers receive overtime compensation (time and one-half pay) for hours they have worked in excess of 40 hours in one week. Violations under this Act carry a liquidated damages penalty (\$10 per day per violation).
- **Section 3 of the Housing and Urban Development Act of 1968**, as amended requires the provision of opportunities for training and employment that arise through HUD-financed projects to lower-income residents of the project area. Also required is that contracts be awarded to businesses that provide economic opportunities for low- and very low-income persons residing in the area.



THE CDBG PROCESS

A HANDY GUIDE TO GRANT TIMING

APPLICATIONS

CDBG applications typically open in late November or early December and close in March of the following year. Applications require:

- Organization information
- Project narrative
- Project budget
- Other relevant documents like maps, drawings, sketches, plans, studies, photos, surveys, etc.

ADMINISTRATIVE

Once the Allocation Plan is approved, an Environmental Review is needed for each eligible project before any activities can begin. CCHRA will handle this and notify you when your project's ER is finished, as well as providing an official Notice to Proceed.

REVIEW

Once applications close, CCHRA will internally review and score each one, building an allocation plan as we go. The Allocation Plan is then approved by the County Commissioners before being submitted for final approval by HUD, usually in late May or early June.

FUNDING

Once all administrative tasks are completed, HUD usually releases funding in November of each year. This is the time when organizations can begin to submit requests for payment for their projects. Work started after the ER is issued but before the funds are released can be reimbursed at this time as well.



PUBLIC HEARINGS

THE NECESSARY STEPS FOR APPROVAL

REQUIREMENTS

An Annual Action Plan (AAP) requires a minimum of two public hearings take place.

1. The first public hearing is scheduled and hosted by the Authority to raise awareness of the impending public comment period.
2. The second is scheduled in coordination with the County Commissioners to approve the draft AAP.

MEETING TWO

At the next appropriate Board of Commissioners meeting, the Authority will appear and discuss the CDBG and HOME programs once again, seeking an approval of the draft AAP. Another opportunity will be given for public comment at this time. All public comments are recorded and considered.

MEETING ONE

The Authority will schedule and make publicly available a hearing to introduce the CDBG and HOME programs, discuss eligible project types, and allow for public comment. This hearing begins the 30-day public comment period, at which time any citizens can provide input on the use of funds.

SUBMITTAL

Once all public comment requirements have been satisfied, the Authority will submit a final draft AAP to HUD for federal approval. When HUD approves the draft, award announcements will be made to subrecipients and Environmental Reviews will commence. No project are to begin prior to receiving an Environmental Review Record and a Notice to Proceed.

Appendix C



HOUSING & REDEVELOPMENT AUTHORITIES
OF CUMBERLAND COUNTY

Better Places, Better Lives

CHECKLIST FOR ON-SITE MONITORING CDBG PROGRAM

Subrecipient: _____

Project Name/Agreement #: _____

Project Director: _____

In-house review and general oversight conducted on: _____

On-site monitoring visit(s) conducted on: _____

Monitoring letter sent on: _____

Follow-up monitoring visit conducted/letter sent on: _____

A. National Objective and Eligibility

1. Which National Objective does this project meet (24 CFR 570.208)?

Benefit to Low- and Moderate-Income Persons

___ Low/Mod Area Benefit

___ Limited Clientele Benefit

___ Low/Mod Housing Benefit

___ Job Creation or Retention

Aid in the Prevention or Elimination of Slums or Blight

___ on an Area Basis

___ on a Spot Basis

An Urgent Need

___ Needs having a Particular Urgency

2. Which eligibility category does the project meet? (24 CFR 570.201-6)?

B. Conformance to the Subrecipient Agreement

1. Contract Scope of Services: Is the full scope of services listed in the Agreement being undertaken? List any deviation.

2. Levels of Accomplishments: Compare actual accomplishments at the point of monitoring with planned accomplishments. Is the project achieving the expected levels of performance (number of persons served, number of units rehabilitated,

etc.) and reaching the intended client group? Explain any problem the subrecipient may be experiencing. **Acknowledge major accomplishments.**

3. Time of Performance: Is the work being performed in a timely manner (i.e., meeting the schedule as shown in the Agreement)? Explain.
4. Budget: Compare actual expenditures versus planned expenditures. Note any discrepancies or possible deviations.
5. Requests for Payment: Are requests for payment being submitted in a timely manner and are they consistent with the level of work accomplished? Is program income properly accounted for and recorded? Explain.
6. Progress Reports: Have progress reports been submitted with payment requests (where required) on time and were they complete and accurate?
7. Special Conditions: Does the project conform to any special terms and conditions included in the Subrecipient Agreement? Explain.

C. Record-Keeping Systems (24 CFR 570.506)

Records should demonstrate that each activity undertaken meets the criteria for National Objectives compliance. Such records should be found in both the grantee's project file and the subrecipient file.

1. Filing System: Are the subrecipient's files orderly, comprehensive, secured for confidentiality where necessary, and up to date? Note any areas of deficiency.
2. Documentation (activities, costs, and beneficiaries): Do the Housing and Community Development project files and subrecipient records have the necessary documentation supporting the National Objective being met, eligibility, and program costs as they relate to 24 CFR 570.506? Do the project files support the data the subrecipient has provided for the CAPER?
3. Record Retention: Is there a process for determining which records need to be retained and for how long?
4. Site Visit (where applicable): Is the information revealed by a site visit consistent with the records maintained by the subrecipient and with data previously provided to the grantee? Explain any discrepancies.
 - a. Is the project manager located on-site and running the day-to-day operations? Do the staff seem fully informed about program requirements and project expectations? Explain.

- b. Is the project accomplishing what it was designed to do? Explain any problems.

D. Financial Management Systems (2 CFR Part 200)

1. Systems for Internal Control: Are systems in compliance with accounting policies and procedures for cash, real and personal property, equipment, and other assets (2 CFR Part 200.)?
2. Components of a Financial Management System: Review the chart of accounts, journals, ledgers, reconciliation, data processing, and reporting system. Note any discrepancies.
3. Accounting: Compare the latest performance report, drawdown requests, bank records, payroll records, receipts/disbursements, etc. Note any discrepancies.
4. Eligible, Allocable, and Reasonable Costs: See 2 CFR Part 200. Pay particular attention to the time distribution records where the subrecipient has employees who work on both CDBG and non-CDBG funded activities. Note any discrepancies.
5. Cash Management/Drawdown Procedures: See 2 CFR Part 200. Has all cash been promptly drawn down and deposited? Are all drawdowns of Federal funds properly recorded? Note any discrepancies.
6. Management of Program Income: If the subrecipient generates program income, refer to 24 CFR 570.504 and the Subrecipient Agreement about its use. Note any discrepancies.
7. IPA Audit Reports/Follow-up: (2 CFR Part 200) Determine if the subrecipient has expended \$750,000 or more in Federal funds for the subject program year.

IPA Audit Required: Yes___ No___ N/A___

Date Conducted: _____

Any findings related to CDBG activity? Status? Explain.

8. Maintenance of Source Documentation: (2 CFR 200) Note any discrepancies in sample records, invoices, vouchers, and time records traced through the system.

9. Budget Control: Do actual expenditures match the line item budget? Refer to 2 CFR 200. Note any discrepancies.

E. Insurance

1. Has the subrecipient submitted a current copy of its Certificate of Insurance?
2. Is the City named as an additional insured?

F. Procurement

1. Procurement Procedures: Do the procedures the subrecipient uses for procurement of goods and services meet CDBG requirements? Review a sample number of procurements.
2. Conflict of Interest: How does the subrecipient assure there was no conflict of interest, real or apparent? Review the process and comment.

G. Equipment and Real Property

2. Has the subrecipient acquired or improved any property it owns in whole or in part with CDBG funds in excess of \$25,000? If yes, review for compliance with 2 CFR 200.313.
3. Has the subrecipient purchased equipment with CDBG funds? Does the subrecipient maintain the records required at 2 CFR Part 200?
4. Has a physical inventory taken place and the results reconciled with property records within the last two years?
5. If the subrecipient disposed of equipment/property that was purchased with Federal funds within the last five years:
 - a. Were proceeds from the sale reported as program income?
 - b. Did the grantee approve expenditure of program income?
 - c. Was the program income returned to the grantee?

H. Non-Discrimination and Actions to Further Fair Housing

1. Equal Employment Opportunity: Refer to 24 CFR 570.506, 601, and 602. Note any deficiencies.

2. Section 3: Opportunities for Training and Employment for Local Residents – Refer to 24 CFR 570.506(g)(5) and 24 CFR 570.607(a) (affirmative action). Note any deficiencies.
3. Fair Housing Compliance: Refer to 24 CFR 570.904 and 24 CFR 570.601(b). Note any deficiencies.
4. Requirements for Disabled Persons: Refer to 8.6. Note any concerns.
5. Women and Minority Business Enterprises: Refer to 24 CFR 570.506(g) and 2 CFR Part 200, affirmative steps documentation. Note any concerns.

I. Conclusion and Follow-up

1. Is the subrecipient meeting the terms of the Subrecipient Agreement and HUD regulations? Discuss both positive conclusions and any weaknesses identified.
2. Identify any follow-up measures to be taken by the grantee and/or the subrecipient as a result of this monitoring review.
 - a. List the required schedule for implementing corrective actions or making improvements.
 - b. List the schedule for any needed technical assistance or training and identify who will provide the training.

Project Monitor

Date