



**County of Union, New Jersey
Community Development Block Grant
Practices and Operational Procedures Manual**

JULY 2018

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Introduction

The County of Union developed this manual as a resource for its staff to manage the Community Development Block Grant (CDBG) effectively and to comply with state and federal requirements. The manual will be updated as necessary to reflect changes to the County's programs and changes to the CDBG program.

This guidance is specific to the programs funded from the Community Development Block Grant. This guidance is supplemental to the County's internal policies that govern purchasing, contracting, and hiring.

In addition to this guidance, staff responsible for administering CDBG-funded programs will utilize current copies of the following resources and bookmark the following internet resources:

- CDBG Regulations (24 CFR 570)
- Uniform Administrative Requirements (2 CFR 200)
- "Basically CDBG" Training Manual
- CDBG Website:
www.hud.gov/offices/cpd/communitydevelopment/programs/entitlement/
- Consolidated Plan Website: <http://www.hud.gov/offices/cpd/about/conplan/index.cfm>

Internal Control

The proper stewardship of federal resources is a fundamental responsibility of managers and staff working with federal programs such as CDBG. All employees must ensure that government resources are used efficiently and effectively to achieve intended program results. Resources must be used consistent with agency mission, in compliance with law and regulation, and with minimal potential for waste, fraud, and mismanagement.

Internal controls are the methods and measures used to safeguard assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to managerial policies and applicable laws and regulations. Management is responsible for evaluating its operational and fiscal environment and establishing an effective system of internal control. The objectives of internal control for federally-funded programs are as follows:

- Transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and Federal reports, maintain accountability over assets; and demonstrate compliance with laws, regulations, and other compliance requirements;
- Transactions are executed in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on a Federal program, and any other laws and regulations that are identified in the compliance supplements; and
- Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

An internal control system can be organized into five interrelated components that work together to protect public funds and ensure accuracy in the reporting of financial transactions. Each component needs to be present in an effective and efficient system of internal control: Control Environment, Control Activities, Information and Communication, Risk Assessment and Monitoring.

Control Environment

The control environment, as established by the elected officials and administration, sets the tone of the organization and influences how the employees within the organization go about their daily tasks. As stewards of the public trust, County employees must perform their duties ethically and treat co-workers, supervisors and the public with courtesy and respect at all times. County employees are required to provide services to the public with responsiveness and accountability. Management will enforce appropriate penalties for misappropriation or misuse of funds. Conduct of all County employees is outlined within the Ethical Conduct Policy.

County Ethical Conduct Policy

Pursuant to the provisions of the Local Government Ethics Law (TITLE 40 A:9-22.1 et seq.)

- a. No local government officer or employee or member of his immediate family shall have an interest in a business organization or engage in any business, transaction, or professional activity, which is in substantial conflict with the proper discharge of his duties in the public interest;

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- b. No independent local authority shall, for a period of one year next subsequent to the termination of office of a member of that authority: (1) award any contract which is not publicly bid to a former member of that authority; (2) allow a former member of that authority to represent, appear for or negotiate on behalf of any other party before that authority; or (3) employ for compensation, except pursuant to open competitive examination in accordance with Title 11A of the New Jersey Statutes and the rules and regulations promulgated pursuant thereto, any former member of that authority. The restrictions contained in this subsection shall also apply to any business organization in which the former authority member holds an interest.
 - c. No local government officer or employee shall use or attempt to use his official position to secure unwarranted privileges or advantages for himself or others;
 - d. No local government officer or employee shall act in his official capacity in any matter where he, a member of his immediate family, or a business organization in which he has an interest, has a direct or indirect financial or personal involvement that might reasonably be expected to impair his objectivity or independence of judgment;
 - e. No local government officer or employee shall undertake any employment or service, whether compensated or not, which might reasonably be expected to prejudice his independence of judgment in the exercise of his official duties;
 - f. No local government officer or employee, member of his immediate family, or business organization in which he has an interest, shall solicit or accept any gift, favor, loan, political contribution, service, promise of future employment, or other thing of value based upon an understanding that the gift, favor, loan, contribution, service, promise, or other thing of value was given or offered for the purpose of influencing him, directly or indirectly, in the discharge of his official duties. This provision shall not apply to the solicitation or acceptance of contributions to the campaign of an announced candidate for elective public office, if the local government officer has no knowledge or reason to believe that the campaign contribution, if accepted, was given with the intent to influence the local government officer in the discharge of his official duties;
 - g. No local government officer or employee shall use, or allow to be used, his public office or employment, or any information, not generally available to the members of the public, which he receives or acquires in the course of and by reason of his office or employment, for the purpose of securing financial gain for himself, any member of his immediate family, or any business organization with which he is associated;
 - h. No local government officer or employee or business organization in which he has an interest shall represent any person or party other than the local government in connection with any cause, proceeding, application or other matter pending before any agency in the local government in which he serves. This provision shall not be deemed to prohibit one local government employee from representing another local government employee where the local government agency is the employer and the representation is within the context of official labor union or similar representational responsibilities;
 - i. No local government officer shall be deemed in conflict with these provisions if, by reason of his participation in the enactment of any ordinance, resolution or other matter required to be voted upon or which is subject to executive approval or veto, no material

or monetary gain accrues to him as a member of any business, profession, occupation or group, to any greater extent than any gain could reasonably be expected to accrue to any other member of such business, profession, occupation or group;

- j. No elected local government officer shall be prohibited from making an inquiry for information on behalf of a constituent, if no fee, reward or other thing of value is promised to, given to or accepted by the officer or a member of his immediate family, whether directly or indirectly, in return therefore; and
- k. Nothing shall prohibit any local government officer or employee, or members of his immediate family, from representing himself, or themselves, in negotiations or proceedings concerning his, or their, own interests.

Control Activities

Control activities are the specific policies and procedures that ensure management directives are carried out. Control activities exist throughout the organization, at all levels, and in all departments. Managers tasked with CDBG oversight are responsible for the quality and timeliness of program performance, increasing productivity, controlling costs and mitigating adverse aspects of operations, and assuring that programs are managed with integrity and in compliance with applicable law. The following guidelines describe the actions to be taken by management involved with CDBG to ensure effective management control:

- Written policies and procedures within this manual
- Proper recordkeeping
- Commissioner budget approval
- Activity Eligibility Review
- Review of Pay Requests / Pay authorizations
- Project Oversight (Monitoring)
- CAPER development and Annual Review
- Audit per 2 CFR 200
- Written job descriptions
- Quarterly Reconciliations
- Security of assets
- Segregation of duties

Information and Communication

Management will ensure that all staff involved with the CDBG program are aware of the internal control system and its importance in the ability to produce timely and accurate reports containing operation, financial, and compliance related information that make it possible to run and control the organization. The following guidelines describe the actions to be taken by management involved with CDBG to ensure effective communication:

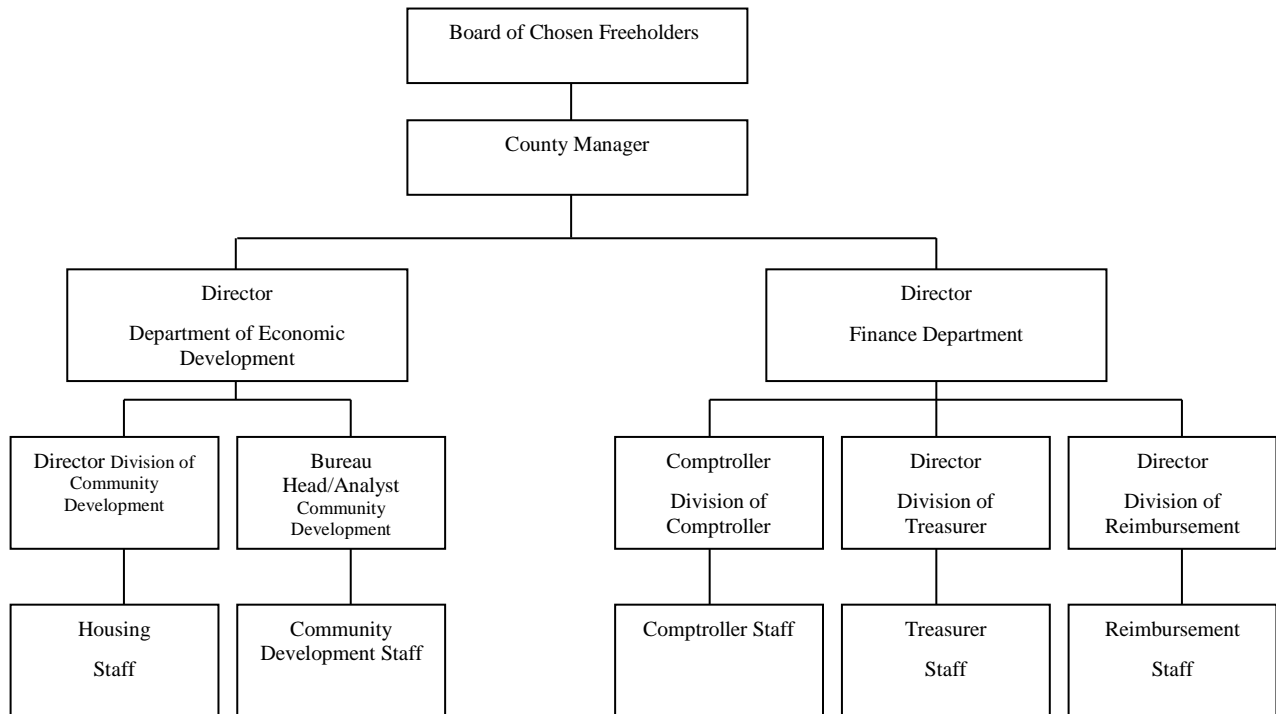
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- Management will ensure staff responsible for authorization of costs is knowledgeable of the requirements for determining activities allowed and allowable costs.
 - Management will ensure staff has a sufficient understanding of processes and controls to identify where unallowable activities or costs could be charged to a federal program and not be detected.
 - Management will provide for periodic training, both formal and informal, as necessary to provide knowledge and skills necessary to determine activities and costs allowed and to ensure organization-wide cognizance of the need for separate identification of allowable federal costs.
 - Management will provide personnel responsible for approving and pre-auditing expenditures with a list of allowable and unallowable expenditures. Grant agreements (including referenced program laws, regulations, handbooks, etc.) and cost principles circulars will be available to staff responsible for determining activities allowed and allowable costs under Federal awards.

Risk Assessment and Monitoring

Risk assessment is the identification and analysis of risks, both internal and external, that would prevent the County's objectives from being achieved. Internal control systems must be continually monitored to assess the quality of the system's performance over time. Ongoing monitoring occurs in the ordinary course of business and includes regular management and supervisory activities and other actions personnel take in performing their duties. All managers and county staff will continually monitor its internal procedures and its environmental for potential situations that could affect compliance or organizational effectiveness.

Organization Chart and Responsibilities

The following organization chart outlines the actual lines of responsibility for the programmatic and financial oversight of the CDBG program. Following the chart is a more detailed description of the responsibilities of each staff person in relation to CDBG administration.



Elected Officials

Board of County Commissioners

The Board of County Commissioners is vested with legislative power of the County. The Board of County Commissioners may interact with County employees through the County Manager. The Freeholders adopt the annual Action Plan and annual budget for CDBG via resolution. The Freeholders also approve the County Manager to enter into CDBG agreements with subrecipients and contractors. Before a governing body approves a resolution or ordinance authorizing the entering into of a contract, the local unit's attorney shall be satisfied that a certificate of availability of funds has been provided.

- A local unit's governing body shall not enter into or execute a contract unless it has been presented with a written certification from its chief financial officer or certifying finance officer, as appropriate, stating the availability of sufficient funds for the contract(s) pending approval by the governing body.

County Manager

The County of Union functions under the County Manager Plan form of government as defined by statute (N.J.S.A. 40:41). The County Manager is responsible for the supervision, direction, and administration of all County departments. All contact with County employees and all actions and communications concerning the administration of the County's government will be through the County Manager, except as otherwise provided by law.

Department of Economic Development

Director of Economic Development

- Provides executive oversight for the administration of the CDBG program
- Provides final authorization on all CDBG budgets, contracts, and payments
- Provides secondary authorization for requisitions in Edmunds for housing programs

Director of Community Services

- Provides day-to-day oversight of the administration of community development programs and community development staff
- Provides secondary authorization for all payments for community development programs
- Provides initial authorization for requisitions in Edmunds for community development programs
- Coordinates the development of annual action plan and CAPER report

Bureau Head of Community Development/Analyst

- Provides accounting and recordkeeping services for all CDBG-funded programs
- Serves as point person for IDIS data entry for program data
- Creates drawdown in IDIS system
- Coordinates directly with Finance Department for all receipts and expenditures

Project Monitor (Role)

- Prepares CDBG written agreements on assigned projects
- Provides initial authorization for all payments on assigned projects
- Conducts on-site monitoring and desk reviews on assigned projects
- Environmental, labor, and other applicable reviews and monitoring
- Enters requisitions in Edmunds

Department of Finance

Comptroller and staff

- Performs budget management functions, such as compiling departmental estimates. Helps prepare, monitor and review departmental budgets.
- Maintains general accounting records and central payroll. Opens accounts based on adopted budget. Closes accounts based on authorized requests from Housing and Community Development staff.
- Certifies availability of funds (N.J.S.A. 40A:9-140.1 et seq.). Creates encumbrance / obligation upon contract issuance
- Records and reports on receipts and disbursements

Treasurer and staff

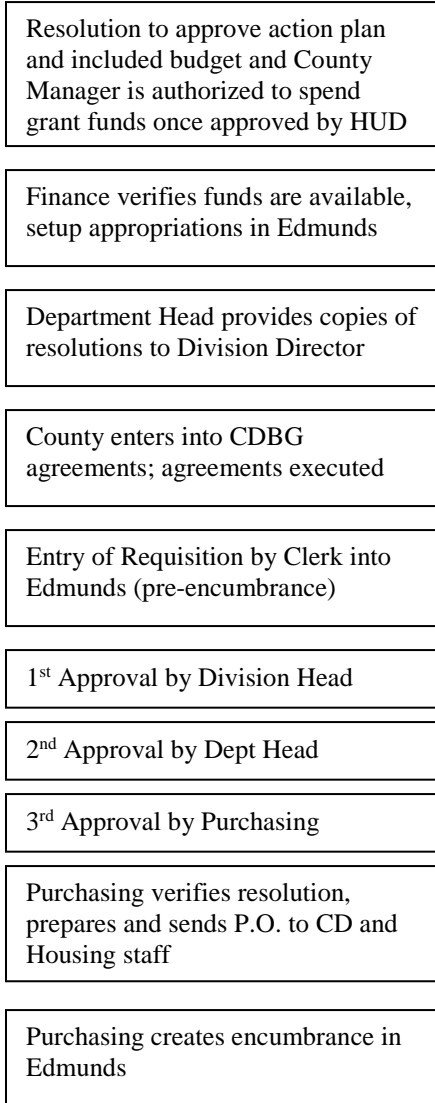
- Holds and disburses county funds on order of the County Manager
- Collects and receives receipts
- Creates and processes inter-fund transfer to reimburse County from CDBG
- Prepares periodic financial reports for CDBG staff
- Approves drawdowns in IDIS system, or designates appropriate Department

Accounts Payable

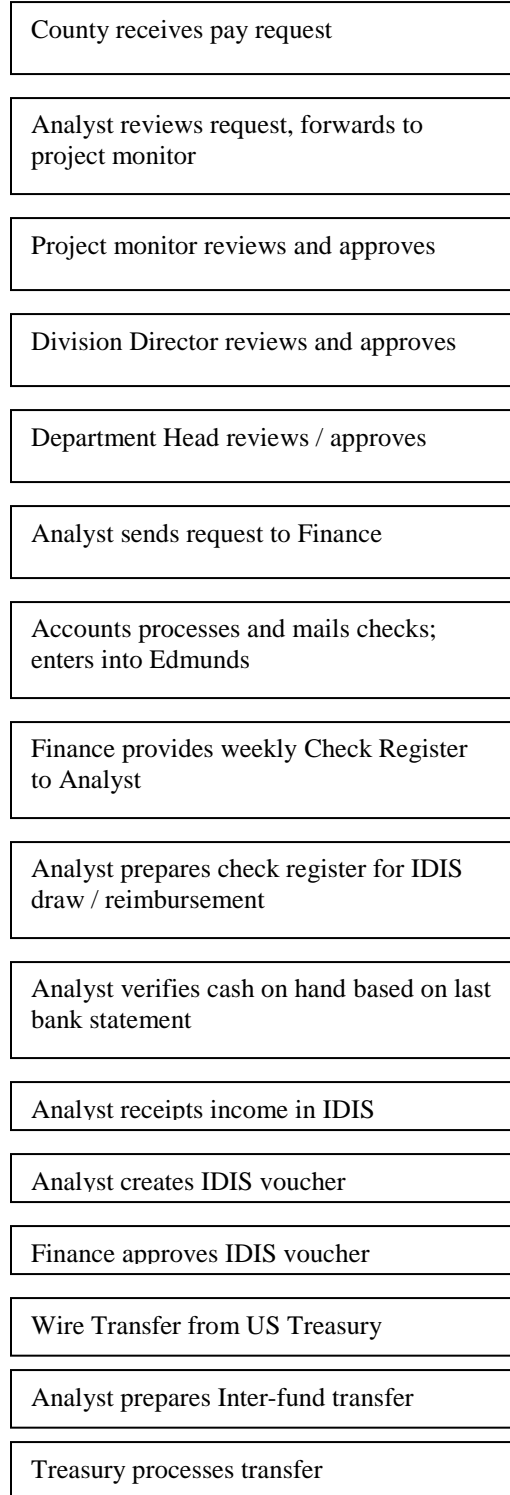
- Provides final authorization for requisitions in Edmunds for housing programs
- Issues purchase orders

Internal Control Flow Chart

Budgeting



Payment



Financial Management System

The County's financial system is regulated by New Jersey State Law and the rules formulated by the Local Finance Board (N.J.A.C. 5:30-5.7). The County used the Edmunds MCSJ Accounting software which incorporates all of the required rules mandated by the State, satisfies the standards for financial management systems set forth in 24 CFR 200.302, and is fully compliant with GAAP and GASB requirements.

Financial accounting represents the process of recording, measuring, interpreting, and communicating financial data. Each transaction is represented in the system of financial accounting using balanced debits and credits known as double-entry bookkeeping. Use of such an accounting system is required by the State of New Jersey per N.J.A.C 5:30-5.7.

General Ledger

The general ledger is the County's official permanent record summarizing of all financial transactions recorded in the double-entry accounting system books of original entry. The general ledger accounting system supports the "fund" basis of accounting required by the Division of Local Government Services.

The general ledger allows the County to provide for the immediate and current identification of its assets, liabilities, revenues, expenditures and fund balance. This is accomplished by using a self-balancing chart of accounts for each fund, using the standard general ledger accounting system. The general ledger, together with the books of original entry and supporting subsidiary ledgers constitute a complete accounting system.

Postings are not made directly to the general ledger, unless first recorded in one of the books of original entry. The general ledger is the final record in which a financial transaction is recorded. A completed accounting transaction would involve the following steps:

- A documented and supportable transaction such as a receipt, a disbursement, the adopted budget, a voided check, or a governing body resolution.
- The transaction is recorded in the applicable book of original entry.
- The transactions are then posted from the book of original entry to the general ledger accounts that are affected

Books of Original Entry

In support of the general ledger, the County will maintain the following books of original entry (journals):

- Cash Receipts Journal: Used to record all transactions where cash is received by the County; either for revenue or non-revenue (reimbursement of expenditures).
- Cash Disbursements Journal: Used to record all transactions where cash is disbursed by the County for any purpose such as budget appropriations, grant expenditures, capital ordinances, trust funds or payroll. While many of these transactions are the result of the satisfaction (payments) of a purchase order generated in an encumbrance journal, there must be a separate cash disbursements journal.

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- Payroll Journal: Used to record the details of each payroll for each employee indicating the pay period, employee's name, hours worked, rate of pay, overtime, and payroll deductions.
 - General Journal: Used to record any transactions that cannot be recorded in any other journals.

Chart of Accounts

As recommended by New Jersey State law, the County has adopted the Flexible Chart of Accounts (FCOA).

Example of CDBG Account: ***D-12-56-818-400-919***

D-12-56: Community Development

818: Program Year 2018 (goes up sequentially by one each year)

400: Organization code (assigned by Community Development and Housing)

919: Internal accounting (flexible chart of accounts)

Bank Accounts

County staff utilizes two bank accounts to track CDBG funds. Bank 41 receives US Treasury wire-transfers. Bank 66 receives program income receipts. All CDBG expenses are made on a reimbursement basis, meaning that the County pays the expense using local funds and is later reimbursed by federal funds.

Action Plan and Budgeting Process

Each year, the County is required to prepare an annual action plan for submission to the U.S. Department of Housing and Urban Development. The annual action plan is required to receive funding from the three federal programs governed by the Consolidated Plan process, namely the Community Development Block Grant (CDBG), the Home Investment Partnership (HOME), and the Emergency Shelter Grant (ESG).

The development of the annual action plan and recommended budget is carried out by a combination of the cities and towns participating in the Urban County CDBG program, county staff, and the Union County Community Development Revenue Sharing Committee. For more information on the internal workings of the revenue sharing committee, refer to its operating manual. The county's CDBG budget approval process is outlined above in the Internal Control Flow Chart.

Review for Activity Eligibility and Allowable Costs

The County will review all proposed uses of federal funds according to the guidelines in this section in order to provide reasonable assurance that the funds are expended only for eligible and allowable activities in accordance with the applicable federal regulations and the applicable cost principles. All determinations will be documented and remain on file as part of the project file.

- Determine if the activity is included within the listing of eligible activities in the CDBG statute, as amplified by regulation. Staff must cite the relevant regulation for each eligible use of funds.
- Determine if the proposed activity falls within a category of explicitly ineligible activities listed in the CDBG regulations at 24 CFR 570.207.
- Determine if the proposed activity can meet one of the national objectives of the program. If the activity will qualify by meeting the Low Mod Area criterion, please use the information under Service Area Determination to properly determine the service area.
- Determine if the program design will allow the administrator of the activity to document compliance with the national objective regulation.
- Determine if carrying out the activity with CDBG funds will result in the County violating its certification that at least 70% of CDBG expenditures will be for activities that are considered to benefit L/M income persons over the one, two, or three consecutive program years specified by the County in its annual action plan certifications.
- Determine if carrying out the activity with CDBG funds will result in the County violating its 15% public service cap or its 20% planning/administration cap.
- Review the proposed costs of the activity to determine if they appear to be necessary and reasonable and will otherwise conform with the requirements of the Uniform Administrative Requirements 2 CFR Part 200, as applicable.
- If there is any uncertainty in terms of any of the above criteria, the County will submit a written request to its local HUD field office for clarification and assistance to determine the necessary steps to document compliance.

Additional Review Criteria

In addition to review for eligibility, national objective, and allowable costs, the County will use the following guidelines to evaluate a proposed project in terms of feasibility, capacity, and conflict of interest:

Feasibility

- Does the activity adequately address an established need?
- Has the prospective subrecipient identified all the major tasks that will be involved in carrying out the activity?
- Does the organization understand the interrelationship of these tasks, and has it developed a realistic schedule for their accomplishment? Are there any stumbling blocks to prompt implementation?

Capacity

- Has the organization ever undertaken the proposed activity before, and what was the result?
- Does the organization have experience with the Community Development Block Grant or other Federal programs?
- Do the prospective subrecipient's staff appreciate the additional requirements associated with Federal funding (for example, when staff split their time between CDBG and non-CDBG functions, keeping detailed records of time spent on specific activities)? Is the organization familiar with the specific regulatory requirements associated with the proposed activity (such as Davis-Bacon prevailing wage requirements for new construction or rehabilitation projects involving eight units or more)? What is the organization's "track record" regarding compliance with such requirements?
- Does the prospective subrecipient have adequate administrative and fiscal structures in place to deal with these guidelines (particularly record keeping)? If not, does it recognize its organizational weaknesses, and has it developed a plan for upgrading these aspects of its operations?
- Does the organization have qualified staff for all the necessary functions associated with the proposed activity, and is there adequate staff time available? If not, how does the organization plan to fill these gaps in personnel?

Service Area Determination

If the activity will qualify by meeting the Low Mod Area criterion, please use the following process to determine the boundaries of the service area and its eligibility. Additional guidance on determining service area is available in Appendix D of the CDBG Desk Guide.

1. Determine the County's low mod threshold for the current fiscal year. HUD updates the County's exception criteria threshold on an annual basis and posts the information to: <https://www.hudexchange.info/programs/acs-low-mod-summary-data/acs-low-mod-summary-data-exception-grantees/>
2. Ensure that the County is using the most recent version of the HUD-published low and moderate income census data. Data can be found on the HUD Exchange at: <https://www.hudexchange.info/programs/census/>
3. Identify the census block groups that are wholly or partially contained within the determined service area. Determine the aggregate number of low and moderate income persons within the area and the aggregate number of the low and moderate income universe. Divide the aggregate of low and moderate income persons by the aggregate of the universe to determine the low-mod percentage of the area. If the low-mod percentage of the area is higher than the County's exception criteria threshold, the service area is eligible.

EXAMPLE LOW MOD PERCENTAGE CALCULATION FOR A SERVICE AREA			
TRACT	BLOCK GROUP	lowmod	lowmoduniv
039500	1	1,135	2,205
039500	2	1,190	1,730
039500	3	805	1,375
039500	4	760	1,590
AGGREGATE LOW MOD		3,890	
AGGREGATE UNIVERSE			6,900
SERVICE AREA LOW MOD PERCENT		3.890/ 6,900	56.38%

4. Retain all documentation regarding the determination of the service area and its eligibility in the project file.

Procurement

In general, CDBG staff will follow the County's internal procurement policy when making purchases and awarding competitive contracts with CDBG funds. The County's policy has been reviewed and meets the standards detailed at 2 CFR 200.318-200.326. The County's Ethical Conduct Policy (described in Internal Controls) satisfies the conflict of interest requirements of the CDBG program.

In addition to the County procurement policy, CDBG staff will also adhere to the guidance below in regard to conflict of interest, debarred contractors, and affirmative steps to assure that small businesses, minority firms, women's business enterprises are used when possible. The County will also monitor all subrecipients on their procurement policies, when applicable.

Each staff member responsible for procurement will ensure each project file contains the basis for contractor selection, justification for lack of competition when competitive bids or offers are not obtained (if applicable), and the basis for award cost or price.

Debarred Contractors

Before executing any contracts equal to or exceeding \$25,000, the County will ensure that the contractor is not suspended or debarred from working on federally-funded contracts by searching the Internet-based Excluded Parties Listing System (EPLS). The County will document that the selected contractor has not been suspended or debarred by printing out the search screen from the EPLS and including the printout in the project file.

Affirmative Steps to Using Disadvantaged Businesses

- The County will solicit qualified vendors who have received the Minority and Women Business Enterprise (MWBE) Certification from the State of New Jersey when they are potential sources.
- The County will divide large contracts, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority business, and women's business enterprises.
- The County will require all prime contractors, if subcontracts are to be let, to take the affirmative steps listed above.

Procurement by Subrecipients

The County will ensure its CDBG-funded subrecipients also take affirmative actions to work with disadvantaged businesses. This requirement will be included as part of the written agreement between the County and the subrecipient. The County will not require each subrecipient to adopt the County's internal procurement policy. However, as part of the overall monitoring process, the County will also review each subrecipient's procurement policy to ensure that it meets the minimum standards set forth in 2 CFR 200.317-326.

Cash Management

The County CDBG program operates on a reimbursable basis, meaning that the County pays for all CDBG-related expenditures from non-CDBG funds and is later reimbursed from CDBG accounts once funds are wire transferred from the U.S. Treasury. CDBG funds will not be drawn in advance of actual cash outlays.

In general, the County and its subrecipients will substantially disburse all locally held CDBG funds first before drawing additional funds from the U.S. Treasury. The following guidelines regarding the use of program income, revolving loans, and escrow accounts will help ensure the County and its subrecipients properly receipt and disburse cash related to the CDBG program.

Program Income

Per 24 CFR 570.500, program income means gross income received by the County or one of its subrecipients directly generated from the use of CDBG funds, including but 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 the recipient or by a subrecipient with CDBG funds, less costs incidental to generation of the income;
- Gross income from the use or rental of real property, owned by the recipient or by a 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;
- Proceeds from the sale of loans made with CDBG funds;
- Proceeds from sale of obligations secured by loans made with CDBG funds;
- Interest earned on program income pending its disposition; and
- Funds collected through special assessments made against properties owned and occupied by households not of low and moderate income, where the assessments are used to recover all or part of the CDBG portion of a public improvement.

The following do not constitute program income:

- Interest earned from the investment of the initial proceeds of a grant advance by the U.S. Treasury. This type of income must be remitted to HUD for transmittal to the U.S. Treasury.
- Income earned from ineligible uses of CDBG funds or activities determined by HUD that to fail to meet a national objective or that fail substantially to meet any other requirement of this part. This type of income must be remitted to HUD for transmittal to the U.S. Treasury.

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- Interest earned on the investment of amounts reimbursed to the CDBG program account prior to the use of the reimbursed funds for eligible purposes. This type of income must be remitted to HUD for transmittal to the U.S. Treasury.
 - Proceeds from fundraising activities carried out by subrecipients receiving CDBG assistance
 - Funds collected through special assessments used to recover the non-CDBG portion of a public improvement
 - Proceeds from the disposition of real property acquired or improved with CDBG funds when the disposition occurs after the applicable time period specified in Sec. 570.503(b)(8) for subrecipient-controlled property, or in Sec. 570.505 for recipient-controlled property.

Receipt of Program Income (Countywide Programs)

On a monthly basis, the Analyst will use the CDBG bank statements to record program income receipts into the Integrated Disbursement and Information System (IDIS). Once the receipt has been entered into IDIS, the Analyst will print a screenshot of the receipt and staple a copy of the screenshot to the bank statement.

Disbursement of Program Income (Countywide Programs)

With the exception of program income receipted into revolving loan funds, the County will expend all cash on hand in its local CDBG accounts, including program income, before requesting additional cash withdrawals from the U.S. Treasury via the Integrated Disbursement and Information System (IDIS).

As part of the payment process, the Analyst will determine the amount of income receipted into the IDIS system. All draws will be credited to the program income (PI) Fund Type until those funds are exhausted. Once the cash needs exceed the amount of program income funds available, the Analyst will credit the draws to the entitlement (EN) fund type until all cash needs are satisfied.

Receipt of Program Income (Subrecipient Programs)

The County may allow a subrecipient to retain any program income generated for the administration of CDBG-eligible activities per the written CDBG agreement. The agreement will explicitly state the activities that will be undertaken with the program income and that all provisions of the written agreement shall apply to the specified activities. Any program income on hand in the subrecipient's accounts when the agreement expires, or received by the subrecipient after the CDBG agreement's expiration, shall be paid to the County as required by Sec. 570.503(b)(8).

If the CDBG agreement allows the subrecipient to retain program income, the subrecipient must submit bank statements on a monthly basis. The Analyst will receipt subrecipient program income retained by the subrecipient in the IDIS system on a monthly basis. As soon as the receipt is created, the Analyst will fund the subrecipient's designated IDIS activity with an equal amount of program income. Please note that this commitment of program income to a specific activity will later be adjusted as part of the drawdown process.

Disbursement of Program Income (Subrecipient Programs)

All CDBG funds held by the subrecipient in its local accounts must be disbursed before requesting additional funds from the County. All program income expended by the subrecipient will be tracked and reported as part of the pay request package submitted to the County. In order to process the pay request, the subrecipient must include the following elements of the pay request package.

- **County of Union Voucher:** The subrecipient will fill in the exact amount of payment requested, sign the voucher and mail the original to us. Only vouchers with original signatures of the authorized official of the requesting organization will be processed. The County cannot accept facsimile transmittals.

To determine the amount of requested: To comply with federal cash management rules, the subrecipient must reduce the amount of funds requested by the amount of CDBG program income on hand at the time of the request.

Example

TOTAL	\$10,000.00	Amount of CDBG-eligible expenses
CASH DISC.	\$3,500.00	Amount of program income on hand per the most recent bank statement
NET	\$6,500.00	Amount requested for reimbursement from County

- **Voucher Request Statement (Exhibit A1):** This is the budget page and it shows four columns. The first column indicates your approved budget by line item; the second column details the line item to be charged for your current voucher; the third column indicates your previous drawdowns by line item. The last column shows you balance after payment is made on current voucher. This is also to be signed. Only budget pages with original signatures will be processed.

	A. Approved Budget
+	B. Program Income YTD
-	C. CDBG-eligible expenses – Current Request
-	D. CDBG-eligible expenses – Prior Requests
<hr/>	
=	E. Remaining Balance

-
-
- **Summary Page:** The subrecipient will submit a summary page that explains exactly what items and/or services are being reimbursed for. The purpose of the summary page is to allow the County to clearly understand the request. It is also provides a review for auditors who examine the voucher to ensure correctness and compliance with HUD rules.
 - **Supporting documentation:** Supporting documentation includes copies of invoices, copies of checks paid, payroll documents, etc. which must be included in order to process your request for payment.
 - **Bank Statements:** Attach all bank statements received since the last pay request voucher.
 - **Progress Reports:** Attach completed progress reports, including information on beneficiaries and accomplishments.

End of Year Remittal

At the end of each program year, the County will determine the amount of program income cash balances on hand in its local accounts and in its subrecipient CDBG accounts. Any amount over one-twelfth of the most recent CDBG grant will be remitted to HUD to be placed in the County's line of credit.

Revolving Loans

Revolving loan accounts are separate funds (with a set of accounts that are independent of other program accounts) established for the purpose of carrying out specific activities which, in turn, generate payments to the fund for use in carrying out the same activities. All principal and interest payments made to the revolving loan will be maintained by the program to make additional loans. The County will allow the use of revolving loan accounts by its CDBG subrecipients for housing rehabilitation, downpayment assistance, and economic development programs given the following stipulations are met:

1. The subrecipient maintains written policy guidance on the administration of the program, including underwriting, loan servicing, and write-offs.
2. The revolving loan account is a single interest-bearing account with a federally insured financial institution. The revolving loan account must be separate and exclusively used for the revolving loan program. All interest earned on the account must be kept with the account.
3. All funds within the revolving loan account will be exhausted before the subrecipient submits a request for additional funds from the County for the program.
4. County disbursements cannot be deposited into the revolving loan account to capitalize the fund. All funds received from the County will go directly to loan recipients. The only deposits allowed into the account are principal and interest payments from outstanding loans.

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5. On a quarterly basis, the subrecipient will remit any interest earned on the account, less any service charges for the account, to the County. In addition, the subrecipient will submit current bank statements, a progress report, and an accounts receivable report.
 6. Upon termination of the revolving loan, the subrecipient may retain any monies remaining in the account for a CDBG-eligible use.

Reporting, Monitoring and Compliance

On a quarterly basis, the County will review the revolving loan account statements and other submitted information to ensure effective use of CDBG resources. If at any time the County finds the subrecipient to be in non-compliance with this policy regarding the use of the revolving loan fund, the County will take appropriate action to ensure the subrecipient becomes compliant. The County reserves the right to revoke the use of revolving loan accounts if it constitutes a significant risk to program compliance.

On an annual basis, the County will review performance based on the number of loans originated, defaults, and account balance. If after review the County finds that the performance of the loan program is substandard and does not constitute an effective use of CDBG funds, the County reserves the right to terminate the revolving loan program and ask the subrecipient to reprogram any available funds to other CDBG-eligible activities.

The County will remit to HUD on an annual basis all interest earned on revolving loan accounts, less any service charges for the account.

Escrow Accounts

The County will allow the use of escrow accounts by its subrecipients and contractors carrying out single-family¹ residential rehabilitation programs given the following stipulations:

1. The escrow account is a single interest-bearing account with an accredited financial institution. Separate bank accounts shall not be established for individual loans and grants.
2. No deposit to the escrow account shall be made until after the contract has been executed between the property owner and the rehabilitation contractor. The contract between the property owner and the contractor selected to do the rehabilitation work must explicitly describe the terms and conditions of how the escrow account will be used.
3. The amount of funds deposited into the account shall be limited to the amount expected to be disbursed within 10 working days from the date of deposit.
4. If at any time the account contains funds exceeding 10 days cash needs, the subrecipient or contractor shall immediately return the excess amount to the County.
5. Funds deposited into an escrow account shall be used only to pay the actual costs of rehabilitation incurred by the owner under the contract with a private contractor. Administrative and program delivery costs cannot be drawn from the account..

¹ For the purposes of this policy, single-family is defined as a structure with no more than four dwelling units.

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6. On a quarterly basis, the subrecipient/contractor will submit bank statements for the quarter and any interest earned on the account, less any service charges for the account, to the County.

Monitoring and Compliance

The County will review the escrow account statements on a quarterly basis. If at any time the County finds the subrecipient / contractor to be in non-compliance with this policy regarding the use of the escrow account, the County will take appropriate action to ensure the subrecipient / contractor becomes compliant. The County reserves the right to revoke the use of escrow accounts if it constitutes a significant risk to program compliance.

The County will remit to HUD on a quarterly basis all interest earned on escrow accounts, less any service charges for the account.

Returned Funds

For the purposes of cash management, all funds returned to the County will be treated as program income and shall be disbursed before drawing additional funds from the U.S. Treasury. If the County will be unable to disburse the returned funds in a timely manner, the County will seek guidance from the local HUD field office regarding the wire transfer of funds back to the U.S. Treasury.

In IDIS, the County will report the return of funds by revising the drawdown voucher that accounted for the returned funds.

Processing of Pay Requests

The County CDBG program operates on a reimbursable basis, meaning that the County pays for all CDBG-related expenditures from non-CDBG funds and is later reimbursed from CDBG accounts once funds are wire transferred from the U.S. Treasury. The County will adhere to the following procedure to pay CDBG-related claims:

1. Analyst opens mail and records the receipt of progress reports and pay requests.
 - Analyst forwards progress report and pay requests to assigned Project Monitor for review and approval.
 - Project Monitor reviews the pay request for compliance with all applicable rules, regulations, and contract stipulations as well as performance per the scope of work in the CDBG agreement (see review process section). Project monitor will sign pay request to indicate approval. If the project monitor does not approve the pay request, the project monitor provide a timely notice to the requestor.
 - Upon approval, Project Monitor forwards pay request to the appropriate Division Director, and the Department Director for signature.
 - Analyst logs all approved pay requests into voucher register and delivers to Finance Department. Analyst will retain a copy of all approved pay requests in the Accounts Payable binder.
 - Finance Department stamps pay requests. All pay requests submitted by Tuesday are paid on the following Friday.
 - Finance Department provides “Check Register by Check Date” to Analyst on a weekly basis Analyst records check number, date of payment, and payment amount onto the voucher and into the project spreadsheet.
 - Analyst creates a check register to correlate pay requests with associated IDIS activity numbers. All cash on hand in local accounts must be utilized before additional cash withdrawals are made from the U.S. Treasury. Therefore, the Analyst will verify the amount of cash on hand in the local CDBG accounts (based on last bank statement) and apply these funds to each pay request until all local funds are exhausted.
 - Within IDIS, the Analyst creates program income receipts based on monies received since the last drawdown.
 - Within IDIS, the Analyst adjusts funding for activities that will use program income.
 - Within IDIS, the Analyst will create the drawdown for all approved pay requests. Once the drawdown voucher is created, the Analyst will print a screenshot of the voucher creation screen from IDIS.

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- Analyst will forward voucher packet to Treasurer. Treasurer (or designee) will approve voucher within IDIS.
 - Upon receipt of wire transfer from the U.S. Treasury, the Analyst will prepare an Inter-fund Transfer Form and attach the IDIS drawdown printout and prepared check register. The purpose of the inter-fund transfer is to reimburse the General Fund for the CDBG costs that were advanced. This packet is signed and approved by the Treasurer, the Division Director, and the Director of Economic Development. Upon authorization, the Treasurer completes the inter-fund transfer.

Financial Reporting

In addition to the budgeting, payment processing, and oversight actions described in other sections, the County will undertake the following actions to ensure accurate, current, and complete disclosure of the financial results of CDBG-assisted activities in accordance with the financial reporting requirements of CDBG.

Quarterly Reconciliation

At the close of each quarter, the Division Director will direct staff to work with the Finance Department to run a trial balance for all CDBG accounts. The information in IDIS will also be compared to the local Edmunds system to ensure the IDIS system accurately reflects expenditures and cash balances. All discrepancies will be reported directly to the Bureau Head and the Comptroller who will jointly oversee corrective action.

The Analyst will maintain a project file of all bank statements and reconciliations for audit purposes.

Consolidated Annual Performance and Evaluation Report (CAPER)

Within 90 days of the close of the program year, the Division Director will coordinate to develop and submit the Consolidated Annual Performance and Evaluation Report (CAPER) to HUD in accordance with the most recent guidance. The purpose of the CAPER is to demonstrate and report on compliance with CDBG rules and regulations and to assess the performance of CDBG-funded projects in meeting the goals and objectives identified in the Consolidated Plan.

As part of the CAPER process, County staff will update (and complete, where applicable) all open activities within the IDIS system. The Bureau Heads will also direct staff to coordinate with the Finance Department to reconcile the Edmunds financial system with IDIS.

Audits

In accordance with the Uniform Administrative Requirements, the Federal Government requires that organizations expending \$750,000 or more in Federal financial assistance in a fiscal year must secure an audit. The audit shall be conducted in accordance with the standards and rules set forth in 2 CFR 200 and generally accepted government auditing standards (GAGAS).

Auditor Procurement

The audit shall be made by an independent auditor in accordance with generally accepted government auditing standards covering financial audits. In procuring audit services, the County shall follow its internal procurement standards. The selected auditor must be experienced with single audits, CDBG programs, and local government. In addition, any firms that provided non-audit services for the County where the non-audit services are significant/material to the subject matter of audits will be prohibited from providing audit services for the period being audited.

Follow-Up Action

Within 30 days after receipt of the auditor's report or nine months after the end of the audit period, whichever is earlier, the Director of Economic Development will submit copies of the audit collection form (SF-SAC) and reporting package to the federal audit clearinghouse and a copy to the local HUD Field Office.

If the audit reveals any findings, the Director of Economic Development, with the assistance of the Comptroller, will prepare a corrective action plan to address each audit finding for CDBG. The corrective action plan will provide the name of the contact person responsible for corrective action, the corrective action planned, and the anticipated completion date. If the County does not agree with the audit findings or believes corrective action is not required, then the corrective action plan shall include an explanation and specific reasons.

Project Oversight (Monitoring)

Monitoring is a vital process in determining that Community Development Block Grant (CDBG) funds are being used in a manner that complies with the rules and regulations of the CDBG program and all other applicable federal law. The purpose of monitoring CDBG-funded projects is two-fold:

- To ensure subrecipient compliance with all regulations governing administrative, financial, and programmatic operations
- To ensure realization of subrecipient performance in terms of accomplishments and timeliness

The County's CDBG project monitoring process will begin with the approval of the annual budget and continue until final closeout of each project. The process can be divided into the following tasks:

- Risk Analysis
- Subrecipient Mandatory Meeting
- Desk Review of Pay Requests and Periodic Reports
- Annual Onsite Monitoring
- Audits

Risk Analysis

Once the final budget for the year is adopted, CDBG staff will review the list of funded projects for potential risks of non-compliance. Potential indicators of risk include:

- subrecipients new to the CDBG program or have a history of unsatisfactory performance
- subrecipients who do not have a financial management system that meet the standards of 2 CFR 200.302.
- subrecipients that have experienced turnover in key staff positions or a change in goals or direction
- subrecipients with previous compliance or performance problems including failure to meet schedules, submit timely reports or clear monitoring or audit findings
- subrecipients carrying out high-risk activities
- subrecipients that are not financially stable
- projects that involve additional requirements, such as labor standards or relocation

High Risk Subrecipients

If the County deems that a subrecipient is a “high risk” for non-compliance, the County can include special conditions in the CDBG agreement such as:

- Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given funding period
- Requiring additional, more detailed financial reports or supporting documentation
- Additional project monitoring
- Requiring the subrecipient to obtain technical or management assistance

Mandatory Meeting and Training

Each program year, the County will host a workshop for all organizations selected to administer a CDBG-funded project or program. The County will distribute packets that include a copy of executed CDBG agreement. The meeting is also open to organizations who did not receive funding but plan to submit a proposal for the upcoming program year. Each subrecipient must assign one point person for the CDBG-funded project. Attendance for the point person is mandatory. Subrecipients may send additional staff as they see fit. At a minimum, the orientation will include the following topics:

- Basic rules and regulations of the CDBG program with a focus on proper documentation of national objective compliance
- Other applicable federal law such as environmental, labor, and relocation
- The written agreement
- Pay requests and supporting documentation
- Procurement
- Reporting
- Monitoring

Staff should encourage any subrecipient who is not comfortable with the requirements of the CDBG program to schedule additional time to receive technical assistance from the County.

Desk Review of Pay Requests and Periodic Reports

Desk monitoring is the process of reviewing documents throughout the program year, including pay requests and periodic accomplishment reports, to gauge compliance. Staff should review pay requests and periodic reports using the questions below as guidelines. If issues arise with a pay request, staff should work quickly with the subrecipient or contractor to resolve the issues and process the payment. However, staff should not feel pressured into approving requests for payment when necessary documentation is missing. All correspondence regarding issues with pay requests and periodic reports should be documented (i.e. email printouts) and filed in the appropriate project file.

At the end of each quarter, the Division Director will review the project’s status with the Director of Economic Development. The review will include an assessment of the project’s

progress and its effectiveness of meeting its objectives. If a project is not on schedule or not effective, staff will develop a plan of corrective actions.

Payment Request Review

Before approving any payment of CDBG funds, the County will ensure that the following documentation is in place:

- The project file contains a fully executed written agreement with the subrecipient or contractor.
- The project file contains a completed Environmental Review Record.

For each pay request, the County will base approval on the following elements. If the review reveals that one or more of the following is lacking, the pay request will be returned to the organization that made the request for clarification, correction, or additional documentation as appropriate. If the review reveals that the request is unallowable per the regulatory standards at 2 CFR 200, the County will return the request to the organization with an explanation as to why the payment was disallowed.

- **Form:** All pay requests must be submitted on a County of Union Voucher. The voucher must be substantially complete and be signed by the authorized official for the organization submitting the pay request. Only vouchers with original signatures will be processed. Email or facsimile transmittals are not allowed.
- **Budget:** Actual expenditures or outlays must be compared with budgeted amounts.
- **Eligibility:** Are the items included in the pay request eligible for payment under the existing written agreement, the CDBG program, and federal cost principles (see below for more detailed information on cost allowability)?
- **Applicability and Reasonableness:** Are the items included in the pay request associated with the funded project? Are the costs reasonable?
- **Source Documentation:** Is there supporting documentation for each item included in the pay request? On “large ticket” items, staff may ask the subrecipient to submit evidence that a procurement process was followed. On each item of supporting documentation, the subrecipient must indicate the percentage charged to the CDBG award.
- **Timeliness:** Is the subrecipient on track to expend all of the award within the term of the award? Has the subrecipient provided up to date accomplishment data?
- **Program Income:** Has the request for funds been reduced by the amount of program income that the subrecipient has on-hand?

Cost Allowability

Only expenses directly related to the CDBG-funded program that benefit County residents are allowable. Direct expenses include charges billed directly to and only to the CDBG award and/or the CDBG award share of shared/joint direct expenses where the subrecipient receives a consolidated bill for more than one department program. The CDBG award share of shared/joint direct expenses can be charged to the grant if there is an equitable method for splitting the costs among various departments/programs. The County will require a subrecipient to demonstrate the

financial management capacity to properly track indirect costs through a cost allocation plan or an indirect cost rate before allowing such charges. The subrecipient must receive written permission before incurring costs for the items in question.

Source documentation

All pay requests must be supported by source documentation such as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents.

Cost	Supporting Documentation
Salaries	Payroll detail registers by each position for which reimbursement is being requested AND Timesheets for each position for which reimbursement is being requested. Timesheets must meet the following requirements: They must reflect an after-the-fact distribution of the actual activity of each employee, They must account for the total activity for which each employee is compensated, They must be prepared at least monthly and must coincide with one or more pay periods, and They must be signed by the employee and the employee's supervisor.
Fringe Benefits	Payroll detail registers by each position for which reimbursement is being requested. Please note: While not required for submittal with the pay request, the subrecipient must have supporting documentation, including canceled checks, to support payment was made for fringe benefits (i.e. health insurance provider).
Office/Operating Supplies/ Equipment/ Printing	Vendor invoices or receipts. Please note: While not required for submittal with the pay request, the subrecipient must have a written procurement policy that meets the minimum standards of 2 CFR 200.317-326.
Rent/Lease	A copy of lease agreement should be submitted with first invoice. Please note: Rental costs under less-than-arms-length leases are allowable only up to the amount that is considered reasonable given the rental costs of comparable property. Less-than-arms-length leases include any lease where one party is able to control or significantly influence the actions of the other and where both parties are part of the same organization.
Mortgage Payment	A copy of the monthly mortgage statement.
Utilities/Telephone	Monthly invoices/statements including summary pages with detailed expenses.
Professional Services	Invoice from service provider that shows fees directly related to CDBG-funded program. Please note: While not required for submittal with the pay request, the subrecipient must have a written procurement policy that meets the minimum standards of 2 CFR 300.317-326. In addition, the subrecipient must have a copy of the third-party contract on file.
Mileage	Copy of internal expense voucher signed by employee claiming reimbursement and supervisor. At a minimum, the voucher shall include the origin and destination of the trip, the date and time of the trip, and the purpose of the trip. Mileage will be reimbursed at the current federal per diem rate for use of personal vehicles.

Review of Periodic Reports

The format of the progress and final reports are based on the IDIS screens which must be completed and is separated by categories, matrix codes, beneficiary information, etc. The final report acts as a “checklist” because it contains all the required HUD information to ensure proper monitoring and compliance. It also serves as an “exit” conference in that no final payments are made until the final report is 100% completed and signed.

- **Completeness:** Is the report completely filled out?
- **Timeliness:** Is the subrecipient making adequate progress toward the stated goal?
- **Cohesiveness:** Does the information in each section agree with each other? For instance, the total for the Race/Ethnicity section should equal the total for the Income section.

Open Balance Reports

On an average of every 6 to 8 weeks a fiscal open balance report is prepared for all our contract years that have any open projects in them. The report is used as a tool to inform our monitors on how their projects are proceeding or performing (i.e. progress report submission, reimbursement request or no progress shown to date), and then the monitor decides if a call, letter or visit is needed to get the program moving in a more timely manner.

Annual Onsite Visits

The County will conduct an onsite monitoring visit for every CDBG-funded project at least annually. The purpose of the onsite monitoring visit is to conduct an in-depth review of all aspects of the CDBG-funded project and to provide technical assistance to subrecipient staff, if necessary.

The key to a successful onsite monitoring visit is preparation. Before conducting the visit, staff should prepare by reviewing all available documentation, including:

- the subrecipient application
- the written agreement
- progress reports
- drawdown request
- documentation from previous monitoring
- available audits, if available

Staff should also provide the subrecipient an opportunity to prepare by providing at least two weeks’ notice of the onsite monitoring visit. This will give the subrecipient an opportunity to gather all the necessary information ahead of time. The notice should be a formal letter and should be filed in the project file. It is helpful to include the checklists that the staff will be using (see below) with the letter.

The onsite monitoring visit should begin with an introductory meeting to explain the purpose of the monitoring to subrecipient staff and to set a schedule.

During the visit, staff will utilize the appropriate checklists from the Grantee Monitoring Handbook of HUD’s Office of Community Planning and Development. The Handbook can be

found at: <http://www.hud.gov/offices/cpd/library/monitoring/handbook.cfm>. CDBG staff must maintain detailed notes on the checklists on which to base their conclusions.

At the end of the visit, CDBG staff should schedule an exit conference with key representatives of the subrecipient organization to present the tentative conclusions from your monitoring. This exit conference should have four objectives:

- to present preliminary results of the monitoring visit
- to provide an opportunity for the subrecipient to correct any misconceptions or misunderstandings
- to secure additional information from subrecipient staff to clarify or support their position
- for any deficiency that the subrecipient agrees with, to provide an opportunity for subrecipient staff to report on steps they are already taking to correct the matter.

Within thirty days of the visit, CDBG staff must send the monitored subrecipient a summary letter explaining any findings or concerns noted during the visit. If the compliance review letter includes a Finding of Noncompliance or a Concern, the letter must also propose necessary corrective actions and a timeframe to make the corrections, usually thirty (30) days. If the subrecipient is not able to satisfy any of the required follow-up actions, the County should determine the appropriate response from the list below. All cases of non-compliance will be reported to the appropriate Bureau Head.

All documentation regarding the onsite visit, including the checklists and correspondence, should be filed in the appropriate project file.

Responses to Non-Compliance

- **Warning.** A written warning will be issued when a violation of a program requirement has occurred. This warning will cite the violation, and if the violation is occurring, a deadline when it must be remedied.
- **Suspension.** Grant funds will be discontinued for any grant which is found to be in noncompliance and for which corrective action by the grantee has not been initiated. Funding may be discontinued for the entire project or for a specific activity. Funding may be reinstated upon the correction of the violating condition.
- **Reimbursement.** The subrecipient will be required to reimburse CDBG funds that have not been spent in accordance with the approved application and program requirements. The amount of the reimbursement will be determined by the amount that has been disallowed and for which no other costs may be substituted.
- **Payment Adjustments.** If the subrecipient has not demonstrated responsible fiscal and administrative capacity, the County may adjust the payment method in which the grant funds are disbursed.
- **Grant Adjustment.** Grant awards may be adjusted, reduced or the total amount withdrawn when there is noncompliance and the violation cited has not been remedied as specified.

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- Nonparticipation in the CDBG Program. Subrecipients that are found in blatant non-compliance may be prohibited from future participation.
 - Full or Partial Termination. The CDBG contract may be terminated in whole or in part if the County determines that the grantee has failed to comply with its terms and conditions.
 - Referral to Law Enforcement. In instances of suspected illegality, the County will contact HUD and other appropriate law enforcement agencies.

Subrecipient Audits

In accordance with the Uniform Administrative Requirements (2 CFR 200), the Federal Government requires that organizations expending \$750,000 or more in Federal financial assistance in a fiscal year must secure an audit. The subrecipient must submit their audit to the County within thirty days of receipt of the auditor's report. Upon receipt of the audit, the County will review each audit to determine whether the audit indicates potential findings with any CDBG-funded program. If the County identifies any potential areas of non-compliance, the County will schedule an on-site monitoring visit as described above to assist in the correction of all relevant findings.

Recordkeeping

The County will establish and maintain sufficient records to enable HUD to determine whether the recipient has met the requirements of the CDBG program. The following requirements are based on the federal regulations located at 24 CFR 507.506.

The County will maintain a separate project file within the Department of Economic Development for each funded project. Each project file will contain the information described below in the Basic Activity Information section and the applicable national objective documentation.

In addition to project files, the County will maintain records related to general administration and oversight, including financial management, citizen participation, fair housing, and equal opportunity.

All records will be maintained for a period of not less than five years after the end of the program year or project close out, whichever is later.

Basic Activity Information

Records providing a full description of each activity assisted (or being assisted) with CDBG funds, including its location (if applicable), the amount of CDBG funds budgeted, obligated and expended for the activity, and the eligibility and national objective under which it is eligible. The County will maintain additional documentation to demonstrate eligibility with the following citations, when applicable:

- 570.201(f) Interim assistance
- 570.201(i)(2) Relocation required under the provisions of Sec. 570.606
- 570.201(p) Technical assistance
- 570.201(q) Assistance to institutions of higher education
- 570.202(b)(3) Rehabilitation Refinancing
- 570.206(f) Submission of applications for federal programs
- 570.209 Guidelines for Selecting Economic Development Projects
- 570.309 Location of Activities Outside of Jurisdiction
- 570.505 Property Acquisition and Improvements (Change of Use Policy)

National Objective Compliance

Income Verification

For each activity determined to benefit low and moderate income persons, the County will document the income limits applied and the point in time when the benefit was determined. Where information on income by family size is required:

- The recipient may substitute evidence establishing that the person assisted qualifies under another program having income qualification criteria at least as restrictive as that used in

the definitions of "low and moderate income person" and "low and moderate income household" (as applicable) at Sec. 570.3, such as:

- Job Training Partnership Act (JTPA)
- welfare programs
- The recipient may substitute evidence that the assisted person is homeless
- The recipient may substitute a copy of a verifiable certification from the assisted person that his or her family income does not exceed the applicable income limit established in accordance with Sec. 570.3
- The recipient may substitute a notice that the assisted person is a referral from a state, county or local employment agency or other entity that agrees to refer individuals it determines to be low and moderate income persons based on HUD's criteria and agrees to maintain documentation supporting these determinations.

Low Mod Area Activities (LMA)

For each activity determined to benefit low and moderate income persons based on the area served by the activity, the County will maintain the following records:

- The boundaries of the service area,
- The income characteristics of families and unrelated individuals in the service area; and
- If the percent of low and moderate income persons in the service area is less than 51 percent, data showing that the area qualifies under the exception criteria set forth at Sec. 570.208(a)(1)(ii).

Limited Clientele Activities (LMC)

For each activity determined to benefit low and moderate income persons because the activity involves a facility or service designed for use by a limited clientele consisting exclusively or predominantly of low and moderate income persons, the County will maintain the following records:

- Documentation establishing that the facility or service is designed for the particular needs of or used exclusively by senior citizens, adults meeting the Bureau of the Census' Current Population Reports definition of "severely disabled," persons living with AIDS, battered spouses, abused children, the homeless, illiterate adults, or migrant farm workers, for which the regulations provide a presumption concerning the extent to which low- and moderate-income persons benefit; or
- Documentation describing how the nature and, if applicable, the location of the facility or service establishes that it is used predominantly by low and moderate income persons; or
- Data showing the size and annual income of the family of each person receiving the benefit per the guidelines described above under the section titled Income Verification.

Low Mod Housing Activities (LMH)

For each activity carried out for the purpose of providing or improving housing which is determined to benefit low and moderate income persons, the County will maintain the following records:

- A copy of a written agreement with each landlord or developer receiving CDBG assistance indicating the total number of dwelling units in each multifamily structure assisted and the number of those units which will be occupied by low and moderate income households after assistance;
- The total cost of the activity, including both CDBG and non-CDBG funds.
- For each unit occupied by a low and moderate income household, the size and income of the household;
- For rental housing only:
 - The rent charged (or to be charged) after assistance for each dwelling unit in each structure assisted; and
 - Such information as necessary to show the affordability of units occupied (or to be occupied) by low and moderate income households pursuant to criteria established and made public by the recipient;
- For each property acquired on which there are no structures, evidence of commitments ensuring that the criteria in Sec. 570.208(a)(3) will be met when the structures are built;
- Where applicable, records demonstrating that the activity qualifies under the special conditions at Sec. 570.208(a)(3)(i);
- For any homebuyer assistance activity qualifying under Sec. 570.201(e), 570.201(n), or 570.204, identification of the applicable eligibility paragraph and evidence that the activity meets the eligibility criteria for that provision; for any such activity qualifying under Sec. 570.208(a), the size and income of each homebuyer's household; and
- For a Sec. 570.201(k) housing services activity, identification of the HOME project(s) or assistance that the housing services activity supports, and evidence that project(s) or assistance meet the HOME program income targeting requirements at 24 CFR 92.252 or 92.254.

Low Mod Job Activities (LMJ)

For each activity determined to benefit low and moderate income persons based on the creation or retention of jobs, the County will maintain the following records:

Job Creation – Availability for LM Persons

Where the recipient chooses to document that at least 51 percent of the jobs will be available to low and moderate income persons, documentation for each assisted business shall include:

- A copy of a written agreement containing:
 - A commitment by the business that it will make at least 51 percent of the jobs available to low and moderate income persons and will provide training for any of those jobs requiring special skills or education;
 - A listing by job title of the permanent jobs to be created indicating which jobs will be available to low and moderate income persons, which jobs require special skills or education, and which jobs are part-time, if any; and
 - A description of actions to be taken by the recipient and business to ensure that low and moderate income persons receive first consideration for those jobs; and
- A listing by job title of the permanent jobs filled, and which jobs of those were available to low and moderate income persons, and a description of how first consideration was given to such persons for those jobs. The description shall include what hiring process was used; which low and moderate income persons were interviewed for a particular job; and which low and moderate income persons were hired.

Job Creation – Hiring of LM Persons

Where the recipient chooses to document that at least 51 percent of the jobs will be held by low and moderate income persons, documentation for each assisted business shall include:

- A copy of a written agreement containing:
 - A commitment by the business that at least 51 percent of the jobs, on a full-time equivalent basis, will be held by low and moderate income persons; and
 - A listing by job title of the permanent jobs to be created, identifying which are part-time, if any;
- A listing by job title of the permanent jobs filled and which jobs were initially held by low and moderate income persons; and
- For each such low and moderate income person hired, the size and annual income of the person's family prior to the person being hired for the job.

Job Retention

For each activity determined to benefit low and moderate income persons based on the retention of jobs:

- Evidence that in the absence of CDBG assistance jobs would be lost;
- For each business assisted, a listing by job title of permanent jobs retained, indicating which of those jobs are part-time and (where it is known) which are held by low and moderate income persons at the time the CDBG assistance is provided. Where applicable, identification of any of the retained jobs (other than those known to be held by low and moderate income persons) which are projected to become available to low and moderate income persons through job turnover within two years of the time CDBG assistance is provided. Information upon which the job turnover projections were based shall also be included in the record;
- For each retained job claimed to be held by a low and moderate income person, information on the size and annual income of the person's family;
- For jobs claimed to be available to low and moderate income persons based on job turnover, a description covering the items required for "available to" jobs in paragraph (b)(5) of this section; and
- Where jobs were claimed to be available to low and moderate income persons through turnover, a listing of each job which has turned over to date, indicating which of those jobs were either taken by, or available to, low and moderate income persons. For jobs made available, a description of how first consideration was given to such persons for those jobs shall also be included in the record.
- For purposes of documenting, pursuant to paragraph (b)(5)(i)(B), (b)(5)(ii)(C), (b)(6)(iii) or (b)(6)(v) of this section, that the person for whom a job was either filled by or made available to a low- or moderate-income person based upon the census tract where the person resides or in which the business is located, the recipient, in lieu of maintaining records showing the person's family size and income, may substitute records showing either the person's address at the time the determination of income status was made or the address of the business providing the job, as applicable, the census tract in which that address was located, the percent of persons residing in that tract who either are in poverty or who are low- and moderate-income, as applicable, the data source used for determining the percentage, and a description of the pervasive poverty and general distress in the census tract in sufficient detail to demonstrate how the census tract met the criteria in Sec. 570.208(a)(4)(v), as applicable.

Slum Blight Area Activities (SBA)

For each activity determined to aid in the prevention or elimination of slums or blight based on addressing one or more of the conditions which qualified an area as a slum or blighted area, the County will maintain the following records:

- The boundaries of the area; and
- A description of the conditions which qualified the area at the time of its designation in sufficient detail to demonstrate how the area met the criteria in Sec. 570.208(b)(1).

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- For each residential rehabilitation activity determined to aid in the prevention or elimination of slums or blight in a slum or blighted area:
 - (i) The local definition of "substandard";
 - (ii) A pre-rehabilitation inspection report describing the deficiencies in each structure to be rehabilitated; and
 - (iii) Details and scope of CDBG assisted rehabilitation, by structure.

Slum Blight Spot Activities (SBS)

For each activity determined to aid in the prevention or elimination of slums or blight based on the elimination of specific conditions of blight or physical decay ***not*** located in a slum or blighted area, the County will maintain the following records:

- A description of the specific condition of blight or physical decay treated; and
- For rehabilitation carried out under this category, a description of the specific conditions detrimental to public health and safety which were identified and the details and scope of the CDBG assisted rehabilitation by structure.

Urgent Need Activities (URG)

For each activity determined to meet a community development need having a particular urgency, the County will maintain the following records:

- Documentation concerning the nature and degree of seriousness of the condition requiring assistance;
- Evidence that the recipient certified that the CDBG activity was designed to address the urgent need;
- Information on the timing of the development of the serious condition; and
- Evidence confirming that other financial resources to alleviate the need were not available.

Administrative, Planning, and Oversight

Financial Management Records

The County will maintain financial records in accordance with the applicable requirements listed in Sec. 570.502, including source documentation. The County will maintain evidence to support how the CDBG funds provided to such entities are expended. Such documentation must include, to the extent applicable:

- Invoices
- schedules containing comparisons of budgeted amounts and actual expenditures,
- construction progress schedules signed by appropriate parties (e.g., general contractor and/or a project architect)
- other documentation appropriate to the nature of the activity

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- Agreements and other records related to lump sum disbursements to private financial institutions for financing rehabilitation as prescribed in Sec. 570.513
 - Records required to be maintained in accordance with other applicable laws and regulations set forth in subpart K of the CDBG regulations.

Citizen Participation

The County will maintain records that demonstrate compliance with the citizen participation requirements prescribed in 24 CFR part 91, subpart B, for entitlement recipients. The County will also maintain sufficient records which demonstrate compliance with the requirements in Sec. 570.606 regarding acquisition, displacement, relocation, and replacement housing. The County follows the adopted Citizen Participation Plan for the CDBG Program.

Fair Housing and Equal Opportunity Records

The County will maintain the following records regarding fair housing and equal opportunity:

- Documentation of the analysis of impediments and the actions the recipient has carried out with its housing and community development and other resources to remedy or ameliorate any impediments to fair housing choice in the recipient's community.
- Data on the extent to which each racial and ethnic group and single-headed households (by gender of household head) have applied for, participated in, or benefited from, any program or activity funded in whole or in part with CDBG funds. Such information shall be used only as a basis for further investigation as to compliance with nondiscrimination requirements. No recipient is required to attain or maintain any particular statistical measure by race, ethnicity, or gender in covered programs.
- Data on employment in each of the recipient's operating units funded in whole or in part with CDBG funds, with such data maintained in the categories prescribed on the Equal Employment Opportunity Commission's EEO-4 form; and documentation of any actions undertaken to assure equal employment opportunities to all persons regardless of race, color, national origin, sex or handicap in operating units funded in whole or in part under this part.
- Data indicating the race and ethnicity of households (and gender of single heads of households) displaced as a result of CDBG funded activities, together with the address and census tract of the housing units to which each displaced household relocated. Such information shall be used only as a basis for further investigation as to compliance with nondiscrimination requirements. No recipient is required to attain or maintain any particular statistical measure by race, ethnicity, or gender in covered programs.
- Documentation of actions undertaken to meet the requirements of Sec. 570.607(b) which implements section 3 of the Housing Development Act of 1968, as amended (12 U.S.C. 1701U) relative to the hiring and training of low and moderate income persons and the use of local businesses.

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- Data indicating the racial/ethnic character of each business entity receiving a contract or subcontract of \$25,000 or more paid, or to be paid, with CDBG funds, data indicating which of those entities are women's business enterprises as defined in Executive Order 12138, the amount of the contract or subcontract, and documentation of recipient's affirmative steps to assure that minority business and women's business enterprises have an equal opportunity to obtain or compete for contracts and subcontracts as sources of supplies, equipment, construction and services. Such affirmative steps may include, but are not limited to, technical assistance open to all businesses but designed to enhance opportunities for these enterprises and special outreach efforts to inform them of contract opportunities. Such steps shall not include preferring any business in the award of any contract or subcontract solely or in part on the basis of race or gender.
 - If applicable, documentation of the affirmative action measures the recipient has taken to overcome prior discrimination, where the courts or HUD have found that the recipient has previously discriminated against persons on the ground of race, color, national origin or sex in administering a program or activity funded in whole or in part with CDBG funds.

Fixed Assets Inventory

The County will maintain a fixed assets inventory in order to provide reasonable assurance that proper records are maintained for equipment acquired with Federal awards, equipment is adequately safeguarded and maintained, disposition or encumbrance of any equipment or real property is in accordance with Federal requirements, and the CDBG program is appropriately compensated for its share of any property sold or converted to non-Federal use.

Per State Law (5:30-5.6), the County maintains a physical inventory of fixed assets of nonexpendable, tangible property as defined by 2 CFR 200. To be considered a fixed asset, property must have three attributes: tangible nature; life longer than current fiscal year; and significant value (over \$5,000). The inventory will be maintained accurately and will reflect a description and source of the property, its ownership, the acquisition cost and date, the percentage of Federal participation in the acquisition, and the location, use, and condition of the property. Periodic physical inventories will be taken and reconciled with property records, with any differences being investigated to reflect the cause of difference.