

FY 2017 Handouts

- 1) Subrecipient Selection Checklist
- 2) Funding Priorities
- 3) Filing for 501 (c)(3)
- 4) DUNS Number Requirement
- 5) How to find the *Playing by the Rules handbook for CDBG subrecipients
- 6) Chapter 2 **Financial Management*
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- 8) Annual Plan Schedule for FY17
- 9) FY17 Application Process Timeline
- 10) Scoring Criteria

**APPLICATIONS MUST BE RETURNED TO
COMMUNITY DEVELOPMENT BY DECEMBER 16, 2016
PLEASE KEEP A COPY FOR YOUR RECORDS**

Keep (1) copy for your records and submit one (1) original completed application and (5) copies of pages 19-21, your budget itemization and budget summary sheets



SUBRECIPIENT SELECTION CHECKLIST

- **Project is eligible and meets one of the three broad National Objectives:**
 - Benefits low-and moderate-income persons**
 - Prevents or eliminates slum or blight**
 - Addresses an urgent need**
 - **Project fits into the community priorities set out by the Consolidated Plan:**
 - #1 Housing – Housing Rehab/Elderly & Disabled**
 - Home Ownership**
 - #2 Homelessness – Homeless Shelters**
 - #3 Community Development- Infrastructure: Streets, sidewalks, lighting**
 - #4 Non-Homeless Special Needs**
 - Drug rehab. addiction**
 - Elderly Services**
 - Developmentally Disabled**
 - Mental Health**
 - #5 Economic Development**
 - Education**
 - Fair Housing**
 - Job Creation**
 - **Project can be completed within a reasonable time frame:**
 - One year – July 1 to June 30**
 - **Prior experience with CDBG related activities, and/or**
 - **Prior experience with other grant programs, and proven record carrying out similar projects in the community.**
 - **Financial capacity as indicated by audited financial statements and banking/credit references.**
 - **Financial stability (not total dependence on CDBG funds) as indicated by other funding sources and amounts, over time.**
 - **Adequate staffing (number of staff and qualifications).**
 - **Organizational strength, including:**
 - Record-keeping methods**
 - Filing system**
 - Financial systems**
 - Existence of a written procedures manual for financial management and personnel.**
-
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Priority Needs:

Priority #1

Housing:

- Affordable Housing
- Public Housing
- LMI Rentals
- Housing Rehabilitation
- Home Ownership

Community Services:

- Homelessness
- Family Violence
- Physical/Mental Disabilities
- Mental illness
- Substance Abuse
- Employment opportunities
- Abused & neglected children
- Elderly Care
- Transportation

Economic Opportunities:

- Slum & Blight
- Code Enforcement
- Façade Improvements

Priority #2

Workforce needs:

- Increase educational attainment
- Skills training
 - STEM – Science, Technology, Engineering, Mathematics

Public Facility & Improvement:

- Recreation
- Law Enforcement
- Fire Service
- Conference Center
- Aging Roads
- Walkability
- Traffic flow

Infrastructure:

- Water & Sewer lines
- Waste water treatment plant

NSA Improvements:

- Commercial Circle Area
- Streetscape Improvements



Filing for 501(c)(3) Status

To apply for recognition of tax-exempt, public charity status, obtain Form 1023 (application) and Publication 557 (detailed instructions) from the local IRS office. The filing fee depends upon the size of the organization's budget. The application is an important legal document, so it is advisable to seek the assistance of an experienced attorney when preparing it. Both of these documents can be downloaded from IRS web site at <http://www.irs.gov/charities/index.html> <http://www.irs.gov/app/picklist/list/formsInstructions.html>

It is important to file your 1023 within 15 months of the date when your organization was established, or when your Articles of Incorporation were filed. Although the IRS automatically provides a 12-month extension, missing the deadline may result in your organization not receiving recognition as a private foundation.

Applying For a Federal Employee Identification Number

Apply Online

The Internet EIN application is the preferred method for customers to apply for and obtain an EIN. Once the application is completed, the information is validated during the online session, and an EIN is issued immediately. The online application process is available for all entities whose principal business, office or agency, or legal residence (in the case of an individual), is located in the United States or U.S. Territories. The principal officer, general partner, grantor, owner, trustee etc. must have a valid Taxpayer Identification Number (Social Security Number, Employer Identification Number, or Individual Taxpayer Identification Number) in order to use the online application.

Apply By EIN Toll-Free Telephone Service

Taxpayers can obtain an EIN immediately by calling the Business & Specialty Tax Line at (800) 829-4933. The hours of operation are 7:00 a.m. - 10:00 p.m. local time, Monday through Friday. An assistor takes the information, assigns the EIN, and provides the number to an authorized individual over the telephone. Note: International applicants must call (215) 516-6999 (Not a toll-free number).

Apply By FAX

Taxpayers can FAX the completed [Form SS-4 \(PDF\)](#) application to their state FAX number (see [Where to File - Business Forms and Filing Addresses](#)), after ensuring that the Form SS-4 contains all of the required information. If it is determined that the entity needs a new EIN, one will be assigned using the appropriate procedures for the entity type. If the taxpayer's fax number is provided, a fax will be sent back with the EIN within four (4) business days.

Apply By Mail

The processing timeframe for an EIN application received by mail is four weeks. Ensure that the [Form SS-4 \(PDF\)](#) contains all of the required information. If it is determined that the entity needs a new EIN, one will be assigned using the appropriate procedures for the entity type and mailed to the taxpayer.



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DUNS Number Requirement

What is a DUNS number?

DUNS stands for "data universal numbering system." DUNS numbers are issued by Dun and Bradstreet (D&B) and consist of nine digits.

Why does my institution have to provide it?

OMB has adopted the use of DUNS numbers as a way to keep track of how federal grant money is dispersed. To learn more about the policy, you can read the [Federal Register notice](#) ^[1] (4-page PDF).

Do all grant applications have to have a DUNS number?

No. Only institutional applicants are required to provide their DUNS number. Individuals are exempt.

I am a project director. How do I find out my institution's DUNS number?

You should ask your institution's grant administrator or chief financial officer to provide your institution's DUNS number. Research universities and most colleges, independent libraries, and large organizations already have DUNS numbers.

What happens if my institution does not have a DUNS number?

The chief financial officer or authorizing official of your institution will need to register for a DUNS number. The project director should NOT apply for a number.

There are two ways to obtain a DUNS number. Your institution can use the special toll-free number for federal grant applicants: 1-866-705-5711. The process will take about ten minutes and your institution will receive a DUNS number within a couple business days. When you call, tell them that you are applying to a federal grant program and need to register for a DUNS number. You will be asked to provide the following information:

1. name of institution
2. address
3. telephone number
4. name of the head of the institution (CEO, president, director, etc.)
5. type of institution (university, college, library, museum, historical society, etc.)

6. total number of employees (full- and part-time)
7. Your institution can also register for a DUNS number via Dun & Bradstreet's website at <http://fedgov.dnb.com/webform> [2] . Please note that registration via the website may take up to thirty business days to complete.

Is there a fee for registering for a DUNS number?

No. D&B should not charge you a fee. You are also not obligated to purchase any of their products.

Source URL: <http://www.neh.gov/grants/manage/duns-number-requirement>

Links:

[1] http://www.whitehouse.gov/sites/default/files/omb/fedreg/062703_grant_identifier.pdf

[2] <http://fedgov.dnb.com/webform>



CDBG PLAYING by the rules

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5

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[PDF] "Playing by the Rules" - Handbook for CDBG ... - HUD

portal.hud.gov/... United States Department of Housing and Urban Development Office of Community Planning and Development Community Development Block Grant Program. Playing by the Rules: A Handbook for CDBG Subrecipients.

Guidebooks for Grantees and Subrecipients in the CDBG ...

portal.hud.gov/... United States Department of Housing and Urban Development. This page has been removed from the HUD gov website. Visit the Community Development pages on the HUD Exchange to find tools and templates, guides, ...

Playing by the Rules: A Handbook for CDBG Subrecipients ...

https://www.hudexchange.info/.../playing-by-the-rules-a-handbook-for-c... This handbook is intended for Community Development Block Grant (CDBG) subrecipients. The handbook is designed to help subrecipients understand the ...

[PDF] Managing Subrecipients of CDBG Grantees - HUD User

www.huduser.org/Publications/pdf/CDBGgrantees.pdf United States Department of Housing and Urban Development Block Grant (CDBG) program office to help grantees meet their ... A Guidebook for Grantees on Subrecipient Oversight, Playing by the Rules, A

CDBG Application Workshop

www.lex-co.sc.gov/... Departments A - H Community Development 2014 CDBG Application Workshop Presentation Important Dates 2014 CDBG Application for Assistance Application Instructions Playing By The Rules.

CDBG - City of North Las Vegas

https://www.cityofnorthlasvegas.com/.../CommunityBloc... North Las Vegas Block Grants (CDBG) Neighborhood ... CDBG Background, Application Instructions and Forms Financial Management, Playing by the Rules: CHAPTER 3.0

Community Development Block Grant (CDBG) Program

www.cityofsantamaria.org/.../community-development-block... Santa Maria The CDBG Entitlement Program, established in 1974 and administered by the ... Sub-Recipient Training "Playing By The Rules"- A Handbook for CDBG Sub-

Redmond, OR : Community Block Grant Program

www.redmond.or.us/government/.../community-block-grant-program The City of Redmond administers the Community Development Block Grant (CDBG) Playing by the Rules: CDBG Sub-Recipient's Handbook CDBG - Toolkit on Under CDBG rules, communities may undertake a wide range of activities

2014 NOFA - Santa Barbara County

www.countyofsb.org/housing/default.aspx?id... Santa Barbara County Santa Barbara County HOME Consortium and CDBG Santa Barbara Urban Resources CDBG Playing by the Rules County CDBG Program Information and

[PDF] 2012 CDBG Funding Application Guide - Cook County

www.cookcountyil.gov/wp-content/.../APP-GUIDE-FINAL-012312.pdf This guide details CDBG funding requirements including related documentation and ... Playing By the Rules - A Handbook for CDBG Subrecipients on

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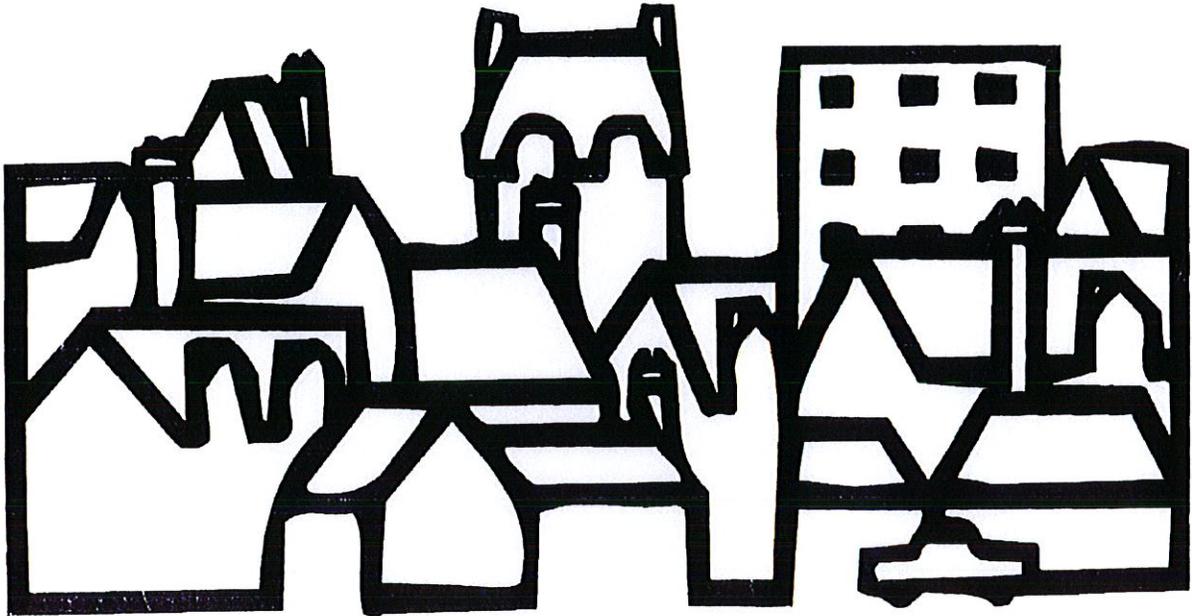
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Office of Community Planning and Development
Community Development Block Grant Program



Playing by the Rules

**A Handbook for CDBG Subrecipients
on Administrative Systems**

March 2005



HUD-2005-05-CPD <http://www.hud.gov/offices/cpd/communitydevelopment/library/index.cfm>

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A Handbook for CDBG Subrecipients on Administrative Systems

U.S. Department of Housing and Urban Development
Office of Community Planning and Development
Community Development Block Grant Program

Updated Reprint
March 2005



Playing by the Rules

A Handbook for CDBG Subrecipients on Administrative Systems

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CHAPTER 2.0: FINANCIAL MANAGEMENT

When subrecipients first begin providing services under the CDBG program and drawing down funds, few have financial systems in place that meet all pertinent Federal requirements. For many of you, putting together a financial system both that serves your needs and meets Federal requirements may have been a matter of trial and error. This kind of “ad hoc” approach is dangerous, however, because you may not find out about the inadequacies of your system until it is too late, such as when you run into a major problem with an overspent budget or a serious audit finding.

This chapter provides you with a summary of the required elements of financial systems for managing Federal funds. Before you plunge into the details of the Federal requirements, you may want to ask yourself the following eight sets of questions to find out if there are *particular* areas where you may need help.

- 1) Internal controls:** Does your agency have a written set of policies and procedures that define staff qualifications and duties, lines of authority, separation of functions, and access to assets and sensitive documents? Does your agency have written accounting procedures for approving and recording transactions? Are financial records periodically compared to actual assets and liabilities to check for completeness and accuracy?

- 2) Accounting records:** Does your agency maintain an adequate financial accounting system, the basic elements of which should include: (a) a chart of accounts, (b) a general ledger, (c) a cash receipts journal, (d) a cash disbursements journal, (e) a payroll journal, (f) payable and receivable ledgers, and (g) job cost journals (if involved in construction)? Does your accounting system provide reliable, complete, and up-to-date information about sources and uses of all funds? Are “trial balances” performed on a regular basis (at least quarterly)?

- 3) Allowable costs:** Does your agency have a clearly defined set of standards and procedures for determining the reasonableness, allowability, and allocability of costs incurred that’s consistent with the basic Federal rules (OMB Circulars A-87 or A-122)? Does your agency know which specific types of expenditures are prohibited under the CDBG program? Does your agency have an approved indirect cost allocation plan?

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- 4) Source documentation:** Does your agency maintain up-to-date files of original source documentation (receipts, invoices, canceled checks, etc.) for all of your financial transactions, including those involving obligations incurred and the use of CDBG program income?
- 5) Budget controls:** Does your agency maintain an up-to-date (approved) budget for all funded activities, and perform a comparison of that budget with actual expenditures for each budget category? Does your agency regularly compare progress toward the achievement of goals with the rate of expenditure of program funds?
- 6) Cash management:** Does your agency have a regular procedure for accurately projecting the cash needs of the organization that will serve to minimize the time between the receipt of funds from the grantee and their actual disbursement? Can your agency ensure that all CDBG program income is used for permitted activities, and that such program income is used before further drawdowns are made from the grantee for the same activity?
- 7) Financial reporting:** Is your agency able to provide accurate, current, and complete disclosure of the financial results of each Federally-sponsored project or program in accordance with the reporting requirements of the grantee and HUD?
- 8) Audits:** When was your last Independent Public Accountant (IPA) audit and what were the results? Does your agency have a copy of the management letter?

If your answer is “yes” to all of these questions, then your agency has established a laudable degree of control over its financial affairs. If you were not able to give an affirmative answer to all of the questions in the preceding section, then this chapter will help you to understand the minimum Federal requirements for financial management and to identify where your systems need strengthening. Once these areas have been identified, you can work with your financial staff, your auditor and/or your grantee to develop the systems and expertise you need to gain control of your agency’s financial affairs and meet the Federal requirements.

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AS YOU READ THIS CHAPTER, THINK ABOUT ...

1. Checking your systems against the standards described here.
2. Reviewing the capabilities of your current bookkeeping or accounting staff to fulfill their responsibilities under these requirements, and listing the areas where they may need support.
3. Talking to your present accountant/auditor to find out if he or she has fully evaluated the adequacy of your systems and is familiar with the requirements outlined here.
4. Getting the names of people to contact in your grantee's agency (e.g., city or county Community Development agency) who can answer questions and help you strengthen your systems.
5. Paying attention to any warning signs that may signal a need for help (for example, unexplained expenditures, unrecorded program income, expenditures occurring much more rapidly than progress is attained.)

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2.1 Overview

The requirements for financial management systems and reporting are found in **24 CFR Part 85.20 for governmental subrecipients¹** and in **24 CFR Part 84.21-28 as amended by 570.502**, for non-profit subrecipients. The purpose of these requirements is to ensure that a subrecipient receiving Federal funds has a financial management system sufficient to:

- a) Provide effective control over and accountability for all funds, property, and other assets.
- b) Identify the source and application of funds for Federally-sponsored activities, including verification of the “reasonableness, allowability, and allocability” of costs and verification that the funds have not been used in violation of any of the restrictions or prohibitions that apply to this Federal assistance.
- c) Permit the accurate, complete, and timely disclosure of financial results in accordance with the reporting requirements of the grantee or HUD.
- d) Minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by the subrecipient.

The Federal regulations provide specific requirements in connection with the eight areas previously identified in this chapter, namely, internal controls, accounting records, allowable costs, source documentation, budget controls, cash management, financial reporting, and audits. The first seven areas are discussed in Sections 2.2 to 2.8. Auditing standards are described separately in Chapter 7.0.

2.2 Internal Controls (see 24 CFR 85.20(b)(3) and 84.21(a)(3))

The soundness of any organization’s financial management structure is determined by its system of internal controls. **“Internal controls” consist of a combination of procedures, specified job responsibilities, qualified personnel, and records that together create accountability in an organization’s financial system and safeguard its cash, property, and other assets.** Through its system of internal controls, an agency’s management can ensure that:

- Resources are used for authorized purposes and in a manner consistent with applicable laws, regulations, and policies.

¹ Paragraph (a) of 24 CFR 85.20, however, does not apply to subrecipients, but only to states that are recipients of Federal funds. (Per 570.502(a)(4)).

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- These resources are protected against waste, mismanagement, or loss.
- Reliable information on the source, amount, and use of resources are secured, up-to-date, and recorded.

Accordingly, some of the basic elements that a subrecipient should consider in developing its system of internal control include:

- An **organizational chart** setting forth the actual lines of responsibility of individuals involved in approving or recording financial transactions.
- **Written definition of the duties** of key employees.
- **A formal system of authorization and supervision** sufficient to provide accounting control over assets, liabilities, receipts, and expenditures. This should include:
 - Maintenance of a policy manual specifying approval authority for financial transactions and guidelines for controlling expenditures.
 - Written procedures for the recording of transactions as well as an accounting manual and a chart of accounts (see Accounting Records, in the following section).

The system of authorizations should provide a way for management to ensure supervisory approval of transactions and documentation of these transactions for accounting purposes. A system of authorizations can be general, as in a procedures manual that explains how accounting functions are to be performed, or very specific, as in identifying who has the authority to sign a contract on behalf of the organization or to sell a piece of equipment.

- Adequate **separation of duties**, so no one individual has authority over an entire financial transaction. Separation of duties specifically involves the separation of three types of functional responsibilities: (a) authorization to execute a transaction, (b) recording of the transaction, and (c) custody of the assets involved in the transaction. No one person should have control of more than one of these functional responsibilities.²

² It is often beneficial to have different individuals or even different departments handle the various steps in the processing of transactions. First, separation of functional responsibility results in cross-checking by the individuals involved, increasing the likelihood that errors will be discovered and corrected. Second, fraud is more difficult to carry out if it requires the collusion of two persons or more. In organizations with very limited staff, however, it may

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- Hiring policies to ensure that *staff qualifications* are commensurate with job responsibilities.
- ***Control over access to assets, blank forms, and confidential documents.*** Physical access to records, blank forms, cash, and other assets should be limited to authorized personnel only. For example, access to accounting records should be limited to only those individuals having record-keeping or supervisory responsibility for them.
- Periodic ***comparisons of financial records to actual assets and liabilities (reconciliation)***, with corrective action taken in response to any discrepancies. As with separation of duties, this is a crucial exercise to uncover and correct inadvertent record-keeping errors in a timely manner. It is also essential for identifying potential weaknesses in an organization's system for safeguarding resources as well as possible instances of fraud or misuse of assets.

2.3 Accounting Records (see 24 CFR 85.20(b)(2) and 84.21)

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

- ***A chart of accounts.*** This is a list of names and the numbering system for the individual accounts that contains the basic information about particular classifications of financial transactions for the organization. Accounts are created and, in turn, used to summarize the financial transaction data, according to some common characteristics. For example, a typical chart of accounts might have separate account categories for describing assets (cash in a checking account, accounts receivable, prepaid insurance, etc.); liabilities (loans, accounts payable, obligated funds, etc.); revenue (drawdowns from CDBG awards, cash contributions, proceeds from sales, other program income, etc.); and expenses (rent, wages, heat, telephone, etc.).
- ***A cash receipts journal.***³ This journal documents chronologically when funds were received, in what amounts, and from what sources.

be difficult to achieve optimal separation of duties. In such instances, the most critical functional areas are separation between custody for cash, record keeping for cash, and control of assets easily converted to cash.

³ A journal is a chronological record of transactions showing the charges to be recorded as a result of each transaction. Every transaction is initially recorded in a journal. Therefore, a journal is called a record or book of original entry. Each entry in the journal states the names of the individual accounts to be debited and credited, the dollar amount of each debit and credit, the date of the transaction, and any other necessary explanation of the transaction. The act of entering a transaction in a journal is called "journalizing." Information for a journal entry can originate from a variety of sources, such as checks issued or received, invoices, cash register tapes, and time sheets.

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A cash disbursements journal. This journal documents chronologically the expenditures of the organization (e.g., when the expense was incurred, how much was spent, to whom funds were paid, and for what purpose).

- *A payroll journal.* This journal documents the organization's expenses on salaries and benefits and distinguishes different categories for regulatory purposes.
- *A general ledger.* After a transaction is entered in a journal, that information also should be transferred to the proper accounts contained in the general ledger. The general ledger summarizes chronologically the activity and financial status of all the accounts of an organization. The process of transferring transaction information from a journal to a ledger is known as "posting." The entries in the journal and ledger should be cross-indexed to permit the tracing of any recorded transaction (i.e., an "audit trail").

Periodically, a "trial balance" is performed, to test the mathematical accuracy of the ledger and to prepare a statement of the financial position of an organization as of a particular date.

Sources and Uses of Funds

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

- Federal **grant awards** (or subgrant allocations) received by the organization.
- **Current authorizations and obligations** of CDBG funds.
- **Unobligated balances** (funds remaining available for distribution).
- **Assets and liabilities.**
- **Program income.**
- **Actual outlays or expenditures**, with further breakdowns by:

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- The grant program from which the funds are derived.⁴
- The “eligible activity” classifications specified in 24 CFR 570.201–570.206 (housing rehabilitation, economic development, public facilities, public services, etc.) or similar classifications which clearly indicate use of program funds for eligible activities.

Maintenance of Records

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

- Journal entries are properly approved and explained/supported.
- Posting and trial balances are performed regularly.
- Fidelity bond coverage is obtained for responsible officials of the organization.

The grantee may require the subrecipient to purchase additional fidelity bond coverage in cases where it believes the normal policy coverage is not sufficient to protect the interest of the Government.

2.4 Allowable Costs (see 24 CFR 85.22 and 84.27)

The standards for determining the reasonableness, allowability, and allocability of costs incurred as part of CDBG-financed activities are found in **OMB Circular A-87 for governmental subrecipients, OMB Circular A-122 for non-profit subrecipients, and OMB Circular A-21 for educational institutions.**

According to basic guidelines contained within these OMB circulars, a *cost is allowable* under the CDBG program if:

1. The expenditure is *necessary, reasonable, and directly related to the grant.*

This standard applies equally to such items as salaries and administrative services contracts, as well as to real property and equipment purchases or leases, travel, and other administrative expenditures. In determining the reasonableness of a given cost, consideration shall be given to:

⁴ Subrecipients are encouraged, but not required by HUD, to identify expenditures by the specific grant.

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- a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award.
 - b) The restraints or requirements imposed by such factors as generally accepted sound business practices, arms length bargaining, Federal and state laws and regulations, and terms and conditions of the award.
 - c) Whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the organization, its members, employees and clients, the public at large, and the Government.
 - d) Significant deviations from the established practices of the organization that may unjustifiably increase the award costs.
2. The expenditure has been *authorized by the grantee* (the city or county that provides the CDBG funds to the subrecipient), generally through approval of the budget for the activity.

For example, grantees generally are limited by HUD to obligating no more than 15 percent of any year's CDBG award on public services expenses. Therefore, in their agreement with a subrecipient, the grantee will stipulate how much the particular subrecipient will be allowed to obligate on such activities to keep the grantee's overall public services expenditures within the 15-percent ceiling. Any obligations by the subrecipient on such activities exceeding the approved amount may be disallowed by the grantee based upon the provisions of the Subrecipient Agreement.

3. The *expenditure is not prohibited* under Federal, state, or local laws or regulations.

For example, OMB Circular A-87, Attachment B, and OMB Circular A-122, Attachment B, explicitly prohibit expenditure of Federal funds for entertainment, contributions and donations, fines and penalties, and bad debts.⁵

In addition, the regulations specific to the CDBG program (at 24 CFR 570.207) prohibit the use of program funds for:

⁵ OMB Circulars A-87 and A-122 also prohibit expenditures on interest and other financial costs *except where authorized by legislation* as is the case under Section 105(a)(13) of Title I of the Housing and Community Development Act of 1974, as amended, which specifically identifies "reasonable ... carrying charges related to the planning and execution of community development and housing activities" as eligible costs under the CDBG program.

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- **Buildings used for the general conduct of government**
- **General governmental expenses**
- **Political activities**

This section of the program regulations also specifies that the following activities may *not* be assisted with CDBG funds *unless* authorized as a special economic development activity under 24 CFR 570.203, *or* when carried out by Community-Based Development Organizations (CBDOs) under the provisions of 24 CFR 570.204, or when the other special conditions noted in the following section after each category are met:

- **Purchase of construction equipment** (unless purchased for use as part of a solid waste disposal facility, which is eligible under 24 CFR 570.201(c)).
 - **Personal property, furnishings, fixtures, or motor vehicles** (unless these items constitute part or all of a public services activity under 24 CFR 570.201(e), are eligible as fire fighting equipment under 24 CFR 570.201(c), or are necessary in the administration of activities assisted with CDBG funds).
 - **Operating and maintenance expenses** (except for expenses associated with public service, “In Rem,” and interim assistance activities, or office space for program staff employed in carrying out the CDBG program).
 - **New housing construction** (unless performed in accordance with the “last resort” housing provisions of 24 CFR Part 42, or carried out by a CBDO under Section 570.204).
 - **Income payments** (this prohibition does not preclude payments made under 24 CFR 570.201(n) to facilitate and expand homeownership by low- and moderate-income persons or emergency grant payments made over a period of up to 3 consecutive months to the provider of such items as food, clothing, housing, or utilities).
4. The *expenditure is consistently treated*, in the sense that the subrecipient applies generally accepted accounting standards in computing the cost, and utilizes the same procedures in calculating costs as for its non-Federally assisted activities.

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5. The *cost must be allocable to the CDBG program*. A cost is allocable to a particular cost objective (e.g., grant, program, or activity) in proportion to the relative benefits received by that objective. This means that:
 - If an office is utilized by two programs during the same hours, the costs of the office should be allocated between the two programs on an equitable basis.
 - The same expense cannot be claimed against more than one grant (i.e., double-billing is prohibited). In addition:
 - A cost originally allocable to a particular Federal grant program **cannot be shifted to another Federal grant program** to overcome funding deficiencies, to avoid restrictions imposed by the grant or by law, or for any other reasons.
 - In accordance with the guidance found in OMB Circulars A-87 and A-122, the composition of direct and indirect costs must be clear. **Direct costs** must be identified specifically with a particular activity. **Indirect costs** are those incurred for common objectives that benefit more than one activity (e.g., salaries of executive officers, accounting and auditing, other costs of general administration). The subrecipient's indirect costs must be supported by an indirect cost proposal/cost allocation plan prepared in accordance with U.S. Department of Health and Human Services Circular OASMB-5 (for non-profit subrecipients) or OASC-10 (for governmental subrecipients).
6. The *cost is net of all applicable credits*. Any credits such as purchase discounts or price adjustments must be deducted from total costs charged. The subrecipient is not allowed to make a profit from any costs charged to CDBG funds.

2.5 Source Documentation

The general standard is that *all accounting records must be supported by source documentation (see 24 CFR 85.20(b)(6) and 84.21(b)(7))*. Supporting documentation is necessary to show that the costs charged against CDBG funds were incurred during the effective period of the subrecipient's agreement with the grantee, were actually paid out (or properly accrued), were expended on allowable items, and had been approved by the responsible official(s) in the subrecipient organization.

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

- With respect to **payrolls**, source documentation should include employment letters and all authorizations for rates of pay, benefits, and employee withholdings. Such documentation might include union agreements or minutes from board of directors' meetings where salary schedules and benefit packages are established, copies of written personnel policies, W-4 forms, etc. For staff time charged to the CDBG program activity, **time and attendance records should be available**. If an employee's time is split between CDBG and another funding source, there must be time distribution records supporting the allocation of charges among the sources. Canceled checks from the employees, insurance provider, etc., or evidence of direct deposits will document the actual outlay of funds.
- With respect to the cost of **space and utilities**, space costs must be supported by documentation such as rental or lease agreements. Utility costs will be supported by bills from the utility companies. Both types of expenses will be supported by canceled checks. If the cost of space or utilities is split between the CDBG program and other sources, there must be a reasonable method in place to allocate the charges fairly among the sources, consistent with the guidelines covering allocable costs in Section 2.4.
- With respect to **supplies**, documentation would include purchase orders or requisition forms initiated by an authorized representative of the subrecipient, an invoice from the vendor (which has been signed-off by the subrecipient to indicate the goods were received), the canceled check from the vendor demonstrating payment was made, and information regarding where the supplies are being stored and for what cost objective(s) they are being used.

Some additional requirements related to source documentation include:

- All **source documentation** does not have to be located in the CDBG project files, but it must be **readily available for review by the grantee, HUD, or other authorized representatives at all times**. For example, employment letters and salary schedules are not likely to be maintained in a subrecipient's CDBG files but instead will be kept in the organization's central personnel files.
- The subrecipient must ensure that either (a) **an encumbrance/obligation is recorded** whenever a contract is signed or a purchase order is issued or (b) **up-to-date information on the status of all obligations** is otherwise readily accessible.

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- The subrecipient must maintain a complete, accurate, and up-to-date record of the receipt and use of CDBG-generated **program income**. (See Chapter 6.0.)

2.6 Budget Controls

Subrecipients must have procedures in place to monitor obligations and expenditures against their approved budget(s) for CDBG-funded activities. **Depending on the language of the Subrecipient Agreement, the grantee may be under no obligation to reimburse a subrecipient for expenditures that exceed approved budget line items or the overall budget for CDBG-assisted activities.** Therefore, the subrecipient needs to have an ongoing system to compare actual receipts, encumbrances, and expenditures with the CDBG budget to ascertain in a timely fashion **whether it will be necessary to initiate a formal budget revision.** In addition, since the budget reflects the subrecipient's best estimate of the resources necessary to accomplish the CDBG project scope of services, any pattern of line item overruns should prompt a careful re-assessment of whether the available resources will still be sufficient to achieve the agreed-upon objectives.

To compare and control expenditures to approved budgets, a subrecipient must:

- Maintain in its accounting records **the amounts budgeted for eligible activities.**
- **Include unexpended/unobligated balances** for budgeted categories, as well as obligations and expenditures.
- Periodically **compare actual obligations and expenditures to date against planned obligations and expenditures, and against projected accomplishments for such outlays.**

Obviously, these comparisons should be made on an ongoing basis, and not after a majority of funds have been committed. In addition, it is critical that subrecipients maintain a close watch over the progress achieved for the amount of funds expended. It does little good to stay within the budget line if the actual accomplishments lag far behind in terms of the units of service delivered.

2.7 Cash Management

Subrecipients are required to have procedures in place to minimize the time elapsed between receipt of funds from the grantee and the actual disbursement of those funds. This requirement is intended to curtail unnecessary drawdowns of CDBG funds (through the grantee) from the U.S. Treasury and minimize the cost of financing the CDBG program by the Federal Government.

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Grantees have two general methods available to transfer CDBG grant funds to subrecipients: the reimbursement method and the cash advance method.

- The **reimbursement method** entails a transfer of grant funds to the subrecipient **based on actual expenditures by the subrecipient before the request for funds.**
- **The cash advance method** involves the transfer of CDBG funds from the grantee based upon the subrecipient's request (and information on obligations) **before the actual cash disbursements have been made by the subrecipient.**

Both methods must be implemented in compliance with the cash management requirements. In accordance with 24 CFR 85.21 or 570.502(b)(3)(i), as applicable, and 31 CFR Part 205⁶, these requirements include:

- A subrecipient must include *accurate information in its drawdown request to a grantee*. This requirement is intended to address the intentional falsification of drawdown information. The Federal Government is also concerned that all subrecipients have adequate financial record-keeping systems in place to be able to determine reliably how much cash they have on hand and what their immediate cash needs will be.
- *Although there is no explicit regulation for cash advances, the general standard is that the subrecipient must disburse the funds to pay for CDBG program costs within 3 business days of the receipt of those funds from the grantee.* The subrecipient should also maintain written justification in its files for each instance in which disbursement of an advance took longer than a 3-day period.
- A subrecipient must *return erroneously drawn funds to the grantee in a timely fashion*. This applies to both advances and reimbursement payments when it is determined that the transfer resulted in more funds being drawn down than what was required by the subrecipient's immediate disbursement needs.

For example, if a subrecipient drew down CDBG funds in anticipation of the start of a public facilities project, and the project's commencement was delayed, the subrecipient is required to return the CDBG funds to the grantee and re-initiate the drawdown process at a later point.

⁶ These are the regulations of the U.S. Department of the Treasury governing withdrawal of cash from the Treasury for an advance under a Federal grant program.

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- If CDBG *grant advances* are placed in an interest-bearing account by a subrecipient, the subrecipient must **return this interest income to the U.S. Treasury** via the grantee (per 24 CFR 85.21(i) or 570.502(b)(3)(i), as applicable, and 24 CFR 570.500(a)(2)). Such interest income is not considered program income. Similarly, if a subrecipient uses a *“revolving loan fund account”* under the CDBG program, **the funds must be deposited in an interest bearing account, and all interest earned on funds on deposit must be returned to the Treasury via the grantee no less frequently than annually** (24 CFR 570.500(b)).
- **Program income (other than program income deposited in a revolving fund) must be disbursed in payment of program costs before requesting further drawdowns from the grantee** (24 CFR 570.504(b)(2)(ii) and 570.504(c)).
- If program income is put in an approved revolving fund by a subrecipient, the subrecipient must **disburse this program income for the same activity for which the revolving fund was established**, before making further cash drawdown requests to the grantee for the activity. The account must be interest bearing, and interest earned or funds held in the account must be remitted to the grantee at least annually (24 CFR 570.504(b)(2)(i) and 570.500 (b)).
- Funds held in an *escrow account* for rehabilitation activities generally must be disbursed within 10 days (24 CFR 570.511(a)(4)).

While avoiding excessive drawdowns, a subrecipient should also exercise care that the legitimate cash needs of its CDBG activities are being met. As noted in the preceding section, a subrecipient needs to be able to forecast accurately what its project expenses are going to be. If its CDBG activities are relatively stable (the same type and level of activities from month to month), a subrecipient can begin with the previous month’s financial activity as a starting point for its estimate of current period cash needs. This estimate, however, should be modified for periodic expenses or seasonal variations in costs, such as for heating and electricity. If a subrecipient’s activities are expanding or exhibit irregular fluctuations in expenses, then it is important to devote more careful attention to predicting future cash requirements.

It should be noted that, in the private sector, the “cash requirements report” is a standard management tool for anticipating the monthly (or even weekly) cash flow needs of a business. When a subrecipient is not able to plan its expenditures and encounters large fluctuations in the disbursement of obligated funds (as can happen, for example, in construction activities), there is a tendency to invade other non-CDBG funds, or alternatively to “temporarily borrow” CDBG funds for non-CDBG purposes. **Such inter-fund transfers that result in using CDBG funds for**

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non-CDBG purposes are not allowed and may result in program sanctions or termination of the CDBG contract by the grantee.

2.8 Financial Reporting

Financial reports prepared by a subrecipient must be accurate, timely, current, and represent a complete disclosure of the financial activity and status in each Federal grant program under which assistance is received (24 CFR 85.20(b) and 85.41(c) and (d), or 84.21 and 24 CFR 570.502(b)(3)(i), as applicable).

Although the format and frequency of the financial reports required of subrecipients may differ from locality to locality, a subrecipient must have the capacity to provide at least the following information **for each CDBG activity**:

- *Amount budgeted.*
- *Advances/reimbursements* received to date.
- *Program income and other miscellaneous receipts* in the current period and to date.
- *Actual expenditures/disbursements* in the current period and cumulatively to date, for both program income and regular CDBG grant funds.

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- *Current encumbrances/obligations* in addition to disbursements.
- *Unpaid requests for payment* previously submitted at time of latest drawdown.

In addition, a subrecipient's accounting and record-keeping system must be able to support the data included in (a) its drawdown requests, (b) its other financial and progress reports, and (c) the grantee's Consolidated Annual Performance and Evaluation Report (CAPER) submitted to HUD.

2.9 Other Miscellaneous Requirements for Subrecipient Financial Management Systems

- **Loan servicing:** A subrecipient must have a system for properly servicing all CDBG-funded loans, where applicable, including:
 - **Loan agreements** with clear repayment terms and default definitions, descriptions of how defaults can be resolved, what actions will be taken if a loan is in default, and what is pledged as security for each loan.
 - **Collection procedures** that provide for recognition of all current amounts due and when past payments were received, notification when payments are overdue, as well as a procedure for taking further action to collect overdue amounts and criteria for writing off bad debts.
- **Cash depositories:** Regular banking procedures may be followed without any separate bank account or special bank eligibility requirements. Subrecipients are advised, however, to obtain information on bank ratings before depositing CDBG funds with a financial institution.⁷

In addition, subrecipients are encouraged to use minority-owned financial institutions in conjunction with their CDBG activities whenever possible.

⁷ Bank rating and research firms which provide information on the comparative financial strength of local banks and other financial institutions are found in most regions of the country. Frequently the local city or county treasurer's office subscribes to a bank rating service and may be able to provide subrecipients with useful information on the ratings of local financial institutions.

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- **Real property:** The subrecipient must:
 - Keep track of CDBG-acquired real property to ensure that program income from sales or rental of such property or assets is properly recorded and reported (24 CFR 570.503(b)(3)).
 - Have procedures for ensuring ongoing compliance with the National Objectives requirements associated with real property acquired or improved with CDBG funds in excess of \$25,000 (24 CFR 570.503(b)(7)).

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Exercise for Chapter 2.0 — Financial Management

Circle the Correct Answer

1. Which of the following are components of an organization's system of *internal controls* for financial management?

- (a) Written procedures and policies.
- (b) Specified job responsibilities.
- (c) Job qualifications.
- (d) Accounting records.
- (e) All of the above.

2. The sole purpose of *accounting records* is to provide reliable and up-to-date information on the cash controlled by an organization or agency.

TRUE

FALSE

3. An expenditure by a subrecipient will be considered an *allowable* CDBG expense if it is necessary to carry out an approved activity and is not explicitly prohibited by Federal, state, or local regulations.

TRUE

FALSE

4. *Source documentation* does not have to be located in the CDBG project files.

TRUE

FALSE

5. An effective system of *budget controls* requires a periodic comparison of actual obligations and expenditures to planned obligations and expenditures, and to projected accomplishments for such outlays.

TRUE

FALSE

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6. Interest income from CDBG advances and revolving loan accounts may be retained by the subrecipient as *program income*.

TRUE

FALSE

The answers are on next page.

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Exercise for Chapter 2.0 — Financial Management (continued)

Answers to questions from preceding pages

1. “(e) All of the above.”
2. **FALSE.** The purpose of accounting records is to provide information *not only on cash* but also on *all the assets and liabilities* of an organization, including property, receivables, payables, and other obligations.
3. **FALSE.** The fact that an expenditure is both necessary and not explicitly prohibited by law and program regulations *is only part of the criteria* that must be met for it *to be considered an allowable CDBG expense*. In addition, the expenditure must:
 - Have been authorized by the grantee (through an approved budget or other mechanism).
 - Be reasonable.
 - Have been treated by the subrecipient in a manner consistent with its normal procedures for computing costs.
 - Be allocable to an approved-CDBG cost objective.
 - Be net of all applicable credits.
4. **TRUE.** *Source documentation does not have to be stored in the CDBG project files if it is readily available to be reviewed by the grantee, HUD, or other authorized representatives.* In general, however, subrecipients will find that it is more efficient in the long run to maintain as much project information as possible in files specifically dedicated to their CDBG activities.
5. **TRUE.**
6. **FALSE.** One of the primary purposes of a subrecipient’s *cash management* system is to minimize the time between receipt of CDBG funds and their disbursement; therefore, if the subrecipient’s system is working efficiently, *there shouldn’t be any interest income* generated on cash advances. In fact, 24 CFR 570.500(a)(2) makes explicit that *the definition of program income does not include interest earned on the investment of the initial proceeds of a grant advance, including funds advanced from a grantee to a subrecipient*, and any such funds must be promptly remitted to the U.S. Treasury. Moreover, 570.500(b) makes it clear that cash balances held in a revolving fund must be

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held in an interest-bearing account and that any interest earned on funds held in such an account will be considered to be interest income generated on a cash advance and must be remitted to the Treasury at least annually.



CHAPTER 5.0: RECORD-KEEPING AND REPORTING REQUIREMENTS

Accurate record keeping and reporting are crucial to the successful management of your CDBG-funded activities. The *failure to maintain* adequate documentation of CDBG-funded activities continues to be one of the most serious administrative issues undermining program performance and regulatory compliance of subrecipients in the CDBG Entitlement program.

Without adequate record keeping, you and your grantee cannot track performance against your contract goals and your grantee cannot provide adequate management support in its oversight of your activities. Insufficient documentation and reporting on your part leads to serious monitoring findings, and those findings are likely to be much more difficult to resolve in cases where records are missing, inaccurate, or otherwise deficient.

It is very important, therefore, that you adhere to the record-keeping and reporting requirements of the Entitlement program and other pertinent regulations. Adequate documentation means knowing:

- What information needs to be collected and why.
- When that information should be collected (and how often).
- How the information should be acquired, organized, and stored.
- How the information should be reported.
- The required retention period for records.

This chapter addresses the minimum standards for documentation with respect to general record-keeping requirements, file organization and maintenance, retention of records, access to records, and reporting requirements. The end of the chapter contains a comprehensive chart identifying key records for each of three record types: administrative records, financial records and project records.

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AS YOU READ THIS CHAPTER, THINK ABOUT ...

1. Whether your agency has a *clearly defined process* for acquiring, organizing, storing, retrieving, and reporting information, especially about your CDBG-funded activities.
2. How you can *strengthen your documentation and reporting systems* to meet the requirements outlined in this chapter.
3. *Who in your agency is responsible* for the majority of record-keeping and reporting tasks, and whether they are properly trained and supported.
4. How you can *streamline your record-keeping and reporting procedures* by standardizing the process and removing duplication of records from your system.
5. How your agency might begin to automate (computerize) some of the record-keeping and reporting tasks if it has not already done so.

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5.1 General Record-Keeping Requirements

Every subrecipient is required to establish and maintain at least three major categories of records:

- **Administrative records:** These are files and records that apply to the overall administration of the subrecipient's CDBG activities. They include the following:
 - Personnel files.
 - Property management files.
 - General program files: files relating to the subrecipient's application to the grantee, the Subrecipient Agreement, program policies and guidelines, correspondence with grantee and reports, etc.
 - Legal files: articles of incorporation, bylaws of the organization, tax status, board minutes, contracts and other agreements.
- **Financial records:** These include the chart of accounts, a manual on accounting procedures, accounting journals and ledgers, source documentation (purchase orders, invoices, canceled checks, etc.), procurement files, bank account records, financial reports, audit files, etc.
- **Project/case files:** These files document the activities undertaken with respect to specific individual beneficiaries, property owners, and/or properties.

Since previous chapters of this handbook have provided information about the elements necessary for financial and general administrative records, this chapter focuses primarily on CDBG requirements as they relate to project files or case files. Exhibit 5-1 at the end of the chapter provides a checklist of the most important files that should be maintained by both subrecipients and grantees for monitoring purposes.

The **general CDBG standard for record keeping** is that records must be *accurate, complete and orderly*. A grantee must establish the specific requirements for record keeping in its Subrecipient Agreement (24 CFR 570.503(b)(2)). Grantees frequently specify record keeping requirements for their subrecipients that are very similar to those found in 24 CFR 570.506, so that for the activities undertaken by subrecipients, the grantee will be able to demonstrate compliance with all applicable program requirements. Therefore, a subrecipient should anticipate having to maintain records sufficient to:

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Provide a **full description of each activity** assisted with CDBG funds, including the location where the activities occur, the amount of CDBG funds budgeted, obligated, and expended for the activity and the regulatory provision under which the activity is eligible.

- Demonstrate that each activity undertaken meets one of the **National Objectives** for the CDBG program (24 CFR 570.208 and particularly the record-keeping requirements at 570.506(b)(1) - (12)).
- Show that the subrecipient has made all necessary **determinations required for the eligibility of certain activities** under the CDBG program, including but not limited to 24 CFR 570.201(f) for **interim assistance**, 570.201(i)(2) for **relocation**, 570.201(p) for **technical assistance**, 570.202(b)(3) for **loans to refinance existing indebtedness secured by a property being rehabilitated**, 570.204 for **activities carried out by CBDOs**, and 570.206(f) for the **preparation of applications for other Federal programs**, and 570.209 for **special economic development activities**.
- Document compliance with the program rules regarding **any change of use of real property** acquired or improved with CDBG assistance (24 CFR 570.505 and 570.503(b)(7)(i) and (ii)).
- Demonstrate compliance with the program requirements regarding **acquisition, displacement, relocation, and replacement housing** (24 CFR 570.606).
- Detail the subrecipient's **fair housing** activities and **equal opportunity** compliance.
- Maintain all necessary information relative to the other program requirements specified in Subpart K of 24 CFR Part 570 (which includes **labor standards; national flood insurance; employment and contracting opportunities; lead-based paint; use of debarred, suspended, or ineligible contractors or subrecipients; and conflict of interest**).

It should be noted that subrecipients are not responsible for providing documentation for the initial environmental review of an activity, because they cannot assume the grantee's environmental responsibilities (24 CFR 570.503(b)(5)). However, actions that a subrecipient provides to the grantee in order for it to carry out these responsibilities and other actions the subrecipient takes to abate or address environmental findings must be documented.

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5.2 File Organization and Maintenance

A subrecipient should structure its project/case files and other records to comply with the general requirements specified in the preceding section and to facilitate preparation of progress and other reports, including all submissions necessary for the grantee's input into the Integrated Disbursement and Information System (IDIS) and its Consolidated Annual Performance and Evaluation Report (CAPER).

In setting up (or reviewing the adequacy of) its record-keeping system, a subrecipient should use this handbook to develop a list of all the items for which it must maintain documentation on a case/project basis and/or an activity basis. For example, if a subrecipient is carrying out a housing rehabilitation program using private contractors, **each project case file** should contain appropriate records, including:

- The owner's application for assistance, including the address of the property.
- Household size and income documentation for the owner and other households in the structure (if a multi-unit building) and other information to determine program eligibility and the appropriate level of financial assistance (underwriting).
- Other demographic information on the anticipated and actual beneficiaries of the activity for this project/case.
- The work write-up on the property.
- Evidence of any required owner contribution or private loan match.
- The financial assistance agreement between the subrecipient and owner (specifying levels of assistance, intended uses for funds, matching requirements, general program requirements, repayment and recapture procedures, requirements for occupancy by low- and moderate-income households if rental property, etc.).
- Evidence of liens to secure loan.
- Documentation of contractor solicitation and selection.
- Documentation of rent affordability, where applicable.
- A copy of executed construction contract, with all necessary provisions.

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- Documentation of compliance, as applicable, with historic preservation, flood insurance, lead-based paint, Davis-Bacon, relocation/anti-displacement, and other relevant program rules.
- Evidence of the subrecipient's periodic on-site inspection and sign-off on rehabilitation work, including final inspection.
- Copies of all change orders, with proper authorization.
- Records of disbursements made for completed and approved work. (In regard to this last item, a subrecipient must ensure that the data in its project files agree with its financial records.)

For each type of activity undertaken, a subrecipient in consultation with the grantee should determine the comparable data that must be maintained in the individual case files and establish a system for ensuring that every file contains the necessary information. Although the list will vary from activity to activity, each project or case file should include documentation of the **National Objective** being met, the **characteristics and location of beneficiaries**, the **eligibility of the activity**, the **compliance with special program requirements**, the **allowability of the costs**, and the **status of the case/project**.

A subrecipient must also devote attention to implementing an efficient method for compiling **cumulative data** on its activities **for inclusion in periodic reports** required by the grantee. The subrecipient should develop **logs for recording and totaling programmatic data** (by type of activity, for units of service, numbers of beneficiaries, etc.) as cases are initiated and as they progress to avoid searching through all of its individual case files to obtain aggregate statistics every time a progress report is due. The establishment of such logs at the commencement of a CDBG activity, based on the reporting requirements specified by the grantee (see **Section 5.5** in the following section), can save a subrecipient considerable time and effort over the course of the activity.

With an automated reporting system, it is critical to structure the computer database to permit the collection and manipulation of all data elements (i.e., characteristics of projects and beneficiaries) necessary for the production of currently required reports and reports that may be desired in the future. This requires a careful appraisal of current and anticipated future operations and an assessment of the "interface" between the computer system and the individuals who will input the data and those who will use the generated reports.

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5.3 Retention of Records

To avoid monitoring findings and facilitate audit reviews, subrecipients are required to retain their records for extended periods of time, even though an activity may be completed for some time:

- **For all subrecipients:** 24 CFR 85.42 as modified by 570.502(a)(16), or 24 CFR 84.53(b) as modified by 570.502(b)(3)(ix) (A) and (B), as appropriate:

In general, **records are to be retained for 4 years** from the date of submission of the grantee's CAPER in which the specific activity is reported for the last time, unless there is litigation, claims, audit, negotiation, or other actions involving the records, which has started before expiration of the 4-year period. In such cases, the records must be retained until completion of the action and resolution of all issues which arise from it or the end of the regular 4-year period, whichever is longer.

5.4 Access to Records

- Representatives of the grantee, HUD, the Comptroller General of the United States, or of other authorized governmental agencies have the right of access to any pertinent records of a subrecipient to make audits, examinations, excerpts, and transcripts. (24 CFR 85.10 (e) and 84.53 (e))
- Consistent with applicable state and local laws regarding privacy and obligations of confidentiality, the subrecipient also must provide citizens with reasonable access to records on the past use of CDBG funds (24 CFR 570.508).

5.5 Reporting Requirements

A subrecipient's reporting requirements must be specified by the grantee in the Subrecipient Agreement (24 CFR 570.503(b)(2)). These reporting requirements must be consistent with the provisions of 24 CFR 85.40(a) and (e) and 85.41 (c) and (d) for governmental subrecipients or 24 CFR 84.51(a) for non-profit subrecipients.

Although it has broad discretion over the type and frequency of reports, **a typical grantee is likely to request three kinds of reports** from its subrecipients: information on drawdown requests, regular progress reports, and CAPER data.

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- As part of a subrecipient's periodic **drawdown requests**, all grantees should require the subrecipient to provide information on the financial status of the latter's operations, which should include (for each activity) the amount of:
 - Funds budgeted.
 - Funds received in drawdowns to date.
 - Funds obligated in most recent period and to date.
 - Funds expended in most recent period and to date.
 - Cash on hand (including program income identified as such).
 - Previous drawdowns requested but not yet received.
- Most grantees will also require regular **progress reports** from subrecipients. These reports generally will be required monthly or quarterly and will usually be designed to **track actual project accomplishments, obligations, and spending patterns against planned operations and accomplishments** as specified in the project schedule and budget portions of the Subrecipient Agreement.
- In addition, grantees will need information from their subrecipients **in connection with the grantee's input to IDIS and for preparation of its CAPER**, which it must submit to HUD. Although for some grantees the information contained in the subrecipient progress reports may be sufficient to satisfy their CAPER needs, others may need to supplement these regular reports with requests to their subrecipients for special reports. In IDIS and in its CAPER, the grantee must provide the following information on each CDBG activity funded:
 - The activity's name, matrix code, description, and location.
 - The National Objective being met.
 - The amount expended during the program year.
 - The total cost of each multi-unit housing and 570.203(b) economic development activity.

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- The amount of unliquidated obligations for each public service and planning and administration activity if CDBG funds are not disbursed during the 90 days after the end of the grantee's program year.
- Activity status and specific units of accomplishments, including compliance with the applicable National Objective, during each program year.
- For rehabilitation activities, the CAPER also requires information (organized separately for single-units and each multi-unit property) on:
 - Activity delivery costs expended in carrying out rehabilitation may be included as part of the cost of the rehab activity or may be reported as a separate activity.
 - Number of units proposed and completed.
 - Number of units in each multi-unit structure initially occupied by low- and moderate-income households following rehab.
 - For multi-unit properties, the amount proposed and expended from CDBG, other public, and private sources.
- The CAPER also requires data on:
 - The characteristics of beneficiaries of direct benefit activities (expressed in total households/persons assisted, number of extremely low-income, low-income, and moderate-income households/persons, and ethnic characteristics of beneficiaries).
 - The source and amount of program income received during the program year.
 - Number and total dollar amount of loans outstanding.
 - CDBG-acquired parcels of property to be sold.
 - Households displaced in connection with CDBG activities.

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As mentioned in **Section 5.2 in the preceding section**, a subrecipient should **carefully identify its complete CDBG reporting responsibilities as part of the process of designing its record-keeping system** for CDBG-funded activities.

A final area of reporting not discussed in this chapter concerns **annual audits**. This subject is addressed in detail in **Chapter 7.0**.

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Exhibit 5-1: Record-Keeping Checklist for Tracking Activities

- This form should be initiated when grantee awards a subgrant to a subrecipient.
- The date at the top should indicate the last time the checklist was updated.
- This form should be updated after internal project review, after monitoring visits by the grantee, or when key documents are modified or received from/sent to the grantee.

Date Checklist Last Updated: _____

Documents to be Maintained	Document Source		Status		Location
	Source	Date	Complete?		
Project Application			Y	N	
<input type="checkbox"/> Original Application	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Amendments to Application	<input type="checkbox"/> Subrecipient/Grantee	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Approval of Amendments	<input type="checkbox"/> Grantee	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Notice of Award	<input type="checkbox"/> Grantee	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Correspondence	<input type="checkbox"/> Subrecipient/Grantee	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
Pre-Award Documentation			Y	N	
<input type="checkbox"/> Articles of Incorporation/Bylaws	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Non-profit Determination	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> List of Board of Directors	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Authorization to Request Funds	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Authorized Official	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Organizational Chart	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Résumés of Chief Admin. and Chief Fiscal Officers	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Financial Statement and Audit	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Conflict of Interest Statement	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Plan for Compliance with National Objectives	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Lobbying Statement	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
Subrecipient Agreement			Y	N	
<input type="checkbox"/> Subgrant/Subaward Amount	<input type="checkbox"/> Grantee	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Date of Subgrant/Subaward	<input type="checkbox"/> Grantee	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Statement of Work	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Budget by Task/Activity	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Schedule by Task/Activity	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Standard Provisions Included?	<input type="checkbox"/> Grantee	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Amendments (Dates)	<input type="checkbox"/> Grantee	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____

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Documents to be Maintained	Document Source		Status		Location
	Source	Date	Complete?		
			Y	N	
Financial Records					
<input type="checkbox"/> Current Approved Budget	<input type="checkbox"/> Subrecipient/Grantee	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Authorization Letter/Signatures	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Financial Management Systems (accounting books, software, reporting systems)	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Chart of Accounts	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> List of Source Documents to be Maintained	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Financial Status Report (total budget, amount expended, unliquidated obligations, unobligated balance)	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Drawdown Request Forms	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Drawdown Request Reports	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Executed Contracts/Bid Docs	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Board Minutes for Approval of Contracts or Bids	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Copy of Most Recent Audit Report	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Certification of Insurance Coverage/Bonding	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> CDBG Payroll Records	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Certified Construction Payroll Records (Davis-Bacon applicable)	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Approved Cost Allocation Plan	<input type="checkbox"/> Subrecipient/Grantee	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Relevant Financial Correspondence	<input type="checkbox"/> Subrecipient/Grantee	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
Project Monitoring and Control			Y	N	
<input type="checkbox"/> Completed Monitoring Reports	<input type="checkbox"/> Grantee	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> National Objectives Documentation	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Eligible Activities Documentation	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Activity Status Report (scope, cost, schedule/actual vs. agreement)	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Drawdown Requests/Reports	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Subrecipient Staffing	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Meeting Minutes	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Telephone Log/Notes	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Correspondence	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____

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Documents to be Maintained	Document Source		Status		
	Source	Date	Complete?	Location	
Regulatory Compliance File			Y	N	
<input type="checkbox"/> HUD Monitoring Results	<input type="checkbox"/> HUD/Grantee	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Real Property Inventory, Management and Change of Use	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Anti-discrimination, Fair Housing, EEO, ADA/504 Certifications	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Procurement, Bonding, Insurance	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Labor Standards	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Acquisition, Displacement, Relocation, Replacement Housing	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Environmental Review	<input type="checkbox"/> Grantee	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Loan Status Reports (Economic Development, Rehabilitation)	<input type="checkbox"/> Subrecipient/Grantee	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Administrative Activities	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Flood Insurance Purchase	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
Other Project/Activity Files			Y	N	
<input type="checkbox"/> Plans and Specs (rehabilitation, historic preservation)	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Orientation and Training	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/> Special Case Records	<input type="checkbox"/> Subrecipient	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____

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Exercise for Chapter 5.0 — Record-Keeping and Reporting Requirements

Review the following examples and indicate whether the approach being taken is adequate or inadequate. Where you feel the approach is “inadequate,” explain why and what might be done differently.

1. John Smith, the program director for the CDBG-funded housing rehabilitation activities of Housing Alliance, Inc., worked diligently with his staff to ensure that every case file contained the information specified in the Subrecipient Agreement for necessary records. As a result, in preparing periodic progress reports, Mr. Smith was able to review each case file and be confident of finding all the data necessary to be included in the reports.

Adequate?

Inadequate?

Comment: _____

2. Four years had passed since the submission of the grantee’s final Consolidated Annual Performance and Evaluation Report detailing Family Support, Inc.’s counseling services. The independent public accountant (IPA) audit performed for Family Support for the time period in question had not included any findings or questioned costs relating to this project. Joanne White, the executive director of Family Support, Inc., consequently directed her staff to discard the records of this CDBG-funded activity.

Adequate?

Inadequate?

Comment: _____

3. Delroy Blaise wanted his subrecipient agency to take advantage of the efficiencies of automated data processing for its record-keeping and reporting functions but did not have anybody on his staff with computer expertise. Therefore, he hired a computer consultant who assisted the agency in purchasing a microcomputer, wrote specific software for entering data and generating reports for all the information currently required by the grantee, and trained the staff in its use.

Adequate?

Inadequate?

Comment: _____

The answers are on next page.

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Exercise for Chapter 5.0 — Record-Keeping and Reporting Requirements (continued)

Answers to questions from preceding page

Each of the three cases on the previous page is an example of a situation where the subrecipient in all probability is in *technical compliance with the requirements* for record keeping and reporting but may not be taking sufficient action to maximize the efficiency of its operations or to avoid future problems.

1. Although John Smith has taken pains to ensure that his agency could provide the grantee with the required report data, the necessity of having to search through each case file each time a report is due might be not an efficient use of his agency's personnel resources. Mr. Smith's organization should also have developed summary sheets of the case files and chronological program logs with key characteristics, from which periodic aggregate tallies could be derived much more efficiently.
2. The 4-year retention rule for records might best be viewed as a *minimum*. It is always theoretically possible that an entity like the HUD Office of the Inspector General (OIG) or the General Accounting Office (GAO) may show up to perform an audit after the 4 years have elapsed and request access to such records in support of some questionable costs. Therefore, even after the 4 years, for your own protection, it is probably best to place the records in storage for a year or so rather than to discard or destroy them.
3. When automating record-keeping and reporting functions, a key consideration is **ongoing flexibility**. In this case, because the software was designed specifically for the *current* records/reporting requirements, if the data desired by either the subrecipient or the grantee changed, it is not clear whether the agency had the technical capacity to modify its computer system accordingly. The agency may have been better served if it had purchased a more "user friendly" generic software package that its own staff could learn to modify.

These examples have been included to remind the reader that the requirements contained in this handbook represent **minimum standards** for administrative, financial, and management systems. These minimums should not automatically become your maximums. Although HUD cannot *require* grantees and subrecipients to go beyond these regulatory standards, it is often in your agency's interest to strive for the "best management practice" possible, or to build an extra margin into your systems, in recognition of the fact that there will always be some unexpected demand on these systems or other problems that will arise over time.

CDBG ANNUAL PLAN SCHEDULE FOR FY 2017

October 5, 2016	Public Notice in HHJ for FY2017 Application Workshop
October 13, 2016	FY2017 Application Workshop
December 16, 2016	5:00 P.M. Last day to submit CDBG Application
January 10, 2017	10:00 A.M. 1 st Public Hearing – Council Chambers
January 9- February 10, 2017	Committee Review Period & Individual Interviews
February 21, 2017	5:30 P.M. 2 nd Public Hearing – Proposed Plan – Council Chambers
March 6, 2017	Proposed Plan heard by Mayor & Council
March 8, 2017	Proposed Plan ad runs in Houston Home Journal (Begins 30 day comment period)
April 7, 2017	Ends 30 day Proposed Plan Comment Period
April 17, 2017	Mayor & Council Meeting to Adopt Final Statement
April 19, 2017	Final Plan ad runs in Houston Home Journal
May 15, 2017	Submit Annual Plan to HUD

This schedule is subject to change

FY 17 APPLICATION PROCESS TIMELINE:

October 13, 2016	Application Workshop (10:00 am)
October 18, 2016	Application available On-line: www.wrrga.gov
October & November 2016	One-on-one technical assistance available BY APPOINTMENT ONLY
December 16, 2016	Applications due to CD office no later than 5:00PM
December 19, 2016 – January 06, 2017	Application Pre-Qualification Review by Community Development Office
January 10, 2017	1 st CDBG Public Hearing (10:00 am)
January 17, 2017	Notification to Applicant regarding disqualification
January 9 – February 10, 2017	Committee Review Period & Individual Interviews
February 21, 2017	2 nd Public Hearing (5:30 pm) to discuss Proposed Statement
March 6, 2017	Proposed Statement submitted to Mayor & Council
April 17, 2017	Mayor & Council Meeting to Adopt Final Statement
May 15, 2017	Submit Annual Plan to HUD
June, 2017	Notification to Applicant regarding Allocations

This schedule is subject to change

CDBG APPLICATION SCORING CRITERIA

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1) LOW INCOME EMPHASIS

The extent to which the project proposes to serve a higher percentage of low and moderate income (LM) persons than is required by HUD (above 51%). Points are based on the % of LM income persons served in comparison to total persons served.

51% - 60%	5 points	71% - 80%	15 points	91% - 100%	25 points
61% - 70%	10 points	81% - 90%	20 points		

2) HIGH PRIORITY NEEDS(S) IN YEARS 2015 – 2019 CONSOLIDATED PLAN

Maximum of 15 points will be awarded based on the extent the project addresses needs identified as "High Priority" needs in the Consolidated Plan.

- a) Priority #1 – 15 points
- b) Priority #2 – 10 points

3) LEVERAGING & QUALITY OF PROGRAM DESIGN

Maximum of 20 points will be awarded based on the financial feasibility of project and the extent to which other funds and volunteer time has been committed to the proposed activity. Sources may include: financial commitment of agency, volunteers, other grant monies, private resources and donations, etc. Documentation showing evidence to the extent and firmness of commitment.

4) OPERATIONAL CAPABILITY & EXPERIENCE

Maximum of 20 points will be awarded based on the applicant's ability to develop and carry out the proposed project in a reasonable time and successful manner. Evidence demonstrating previous experience of the applicant and key staff of the organization in relevant activities will be considered. The applicant must identify the key staff that will be responsible for implementing the program and describe their qualifications.

5) FINANCIAL CAPABILITY & EXPERIENCE

Maximum of 20 points will be awarded based on the applicant's capability to handle financial resources & follow procedures for effective control. Evidence demonstrating previous experience of the applicant, the key staff of the agency & adequacy of existing financial control procedures. A description of the financial control system & supporting documentation including a copy of the most recent audit or financial statements should be submitted.

TOTAL POSSIBLE POINTS - 100

MINIMUM SCORE NEEDED TO BE CONSIDERED FOR FUNDING - 60