



# CDBG Policies & Procedures Manual

## City of Minot, ND

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## **Chapter 1 – Introduction**

City of Minot, ND receives a yearly entitlement grant from the US Department of Housing and Urban Development (HUD) to carry out the Community Development Block Grant (CDBG) program. Upon acceptance of each annual grant award, the City of Minot contractually agrees to implement its local CDBG Program in accordance with the Housing and Community Development Act of 1974, the CDBG program regulations found at 24 CFR 570 and other related laws, regulations and requirements. The intent of the program is to develop viable urban communities by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income. CDBG funds must be used for eligible activities that meet the national objectives of the CDBG Program. All CDBG awards are also subject to the Uniform Administrative Requirements detailed in 2 CFR Part 200.

### **Purpose**

The purpose of this CDBG Policies & Procedures Manual is to establish a framework that guides the operation of the City of Minot's Community Development Block Grant (CDBG) Program. This Manual is specifically designed to guide the administration and delivery of the City of Minot's CDBG Program and to help CDBG funded recipients understand the requirements that apply to the use of federal funds. It provides an approach for making decisions, ensuring the program is operated in a fair and consistent manner, as well as providing all program participants with an understanding of how the City of Minot manages its local CDBG program.

### **Scope**

As of source of local guidance, the manual's scope applies to all CDBG funds awarded to the City of Minot and used by funded entities. Content of the manual is organized around the life-cycle of an annual CDBG grant (known as a "Program Year") and its eligible activities or projects from initial planning through implementation to closeout. Use of the content follows the premise that CDBG program requirements -- regulatory, performance, administrative, financial, compliance and record keeping -- can be satisfied through timely preparation, completion and recording or filing of required documentation.

The information and materials within this manual are subject to change as local policy and HUD rules and regulations change. Moreover, the manual does not replace or amend any of the provisions in HUD's Grant Agreement and Certifications with the City of Minot, or any agreement executed between the City of Minot, ND and its funded entities. Should there be any disagreement between the executed agreements and this manual, the provisions contained within those agreements, executed contract(s), service level agreement(s) or memorandum(s) of understanding will take precedence.

## **Chapter 2 – Planning**

- Consolidated Plan/Action Plan and Analysis of Impediments
- Project Selection
  - o Application Process
  - o Eligible Activities & National Objectives
  - o Awards and Written Agreements

Before the City of Minot can address community needs with its CDBG funding, HUD regulations require an assessment of current conditions and a description of planned uses of the grant that respond to those needs. Although entitled to receive the CDBG funding, City of Minot must also, formally request from HUD the annual award of each grant. Planned uses of the CDBG funding is often shaped by a local process that notifies the community of available funds and invites proposals for possible activities and projects.

### **Consolidated Plan**

The Consolidated Plan (CP) is a three to five-year plan which describes the community needs, resources, priorities, and proposed activities to be undertaken with the CDBG program in City of Minot. It identifies the housing and community development needs, especially for its low and moderate income (LMI) residents, and strategies and resources to meet those needs. Elements include:

- A description of the entity responsible for overseeing the development of the Consolidated Plan and a description of the process undertaken to develop the plan;
- A housing and homeless needs assessment;
- A housing market analysis;
- A strategic plan; and
- A one-year Action Plan.

Stakeholder and public meetings are held during the planning process to garner information about the needs of the community and prioritizing the use of funds. Both the Consolidated Plan and Annual Action Plan (AP) are first approved locally before their submission to HUD. The Consolidated Plan is published for a 30-day public review and comment period and then presented to City of Minot's governing body for consideration and approval. The Consolidated Plan must be submitted to HUD at least 45 days before the start of the program year. The City of Minot must also submit to HUD an annual update to the Consolidated Plan, referred to as an Action Plan that describes the specific proposed uses of CDBG funds for a 12-month program year beginning July 1 and ending June 30. In addition to the Consolidated Plan, City of Minot must also analyze impediments to fair housing choice and identify actions to address those impediments. This assessment is called an Analysis of Impediments (AI). While it does not require HUD approval, the AI should be current through the same period as the Consolidated Plan and be updated periodically.

\*\*\*\*After the Consolidated Plan and Action Plans have been approved, any activity not identified in the original CP and AP will be treated as a substantial amendment.

**Project Selection**

As previously stated, projects selected for CDBG funding must qualify as eligible activities that meet the national objectives of the CDBG program. The process of completing and submitting the Consolidated Plan and annual Action Plans helps City of Minot determine what activities to fund during the upcoming program year. The application process is also shaped by a routine that notifies the community of available funds and invites proposals for possible activities and projects. When planned uses of CDBG funds are identified, City of Minot takes necessary steps to qualify each activity and distributes part of its CDBG award to recipients that will assist in implementing the program. The basis for qualifying each project whether carried out directly by City of Minot or by recipients to which it distributes funds, must be fully documented for HUD review. Because City of Minot is ultimately responsible for any further allocation of funding, it must ensure that each funded entity demonstrates proper performance and compliance with applicable laws and regulations.

**Application Process**

City of Minot's application cycle begins with an estimate of funding amounts for CDBG programs and ends with an announcement of recommended allocations. This process typically corresponds to the City's annual budget cycle.

During the first week of January, an RFP is released that requests project applications. Scoring criteria address applicant capacity, how well the proposed project meets Consolidated Plan priorities, and financial viability of project. (See Appendix A). This time may vary as award announcements can be delayed by the Federal Government.

The RFP is made available for a period of time not to exceed 30 days. All applications must be received by the announced deadline; no exceptions are made. Funding requests are reviewed by staff to determine completeness and to ensure that all requirements would be met if proposed activities are funded.

In alignment with the draft Annual Action Plan, staff drafts professional services agreements with subrecipients to allocate funding according to their proposed project. Contracts are presented to the City of Minot's Governing Body for official review and approval. An announcement of the allocations is then made as part of the public comment period connected to the Annual Action Plan.

If not activities are received through the RFP process, City staff will seek out eligible activities for funding and meet with perspective subrecipients.

**Eligible Activities & National Objectives**

A key feature of the above process is qualifying each project for CDBG funding. Determination of eligibility and support of a national objective are paramount to the funding deliberation. This determination is best conducted through four steps with each one documented along the way.

**Step #1:**

The first step is to determine if the activity is included within the listing of eligible activities in the law, as amplified by CDBG regulations.

**Step #2**

The second step is to determine if the proposed activity falls within a category of explicitly ineligible or prohibited activities, despite its apparent inclusion within an authorized category.

**Step #3**

The third and arguably the most important step to City of Minot is determining if the proposed activity can meet one of the national objectives of the program. Special attention should be paid to program criteria that limit how certain types of activities and beneficiaries can qualify under a particular national objective.

**Step #4**

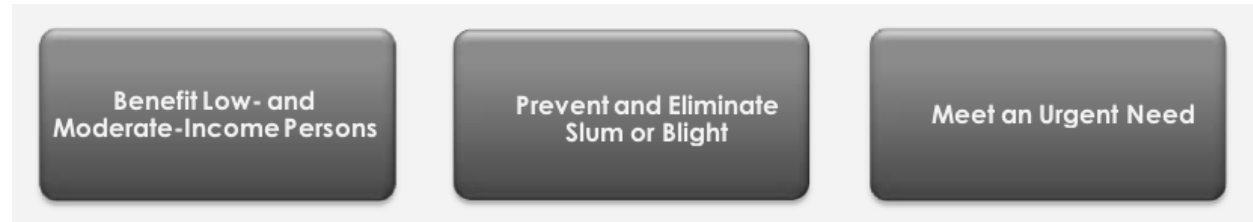
The fourth step is to ensure that activities carried out with CDBG funds will not result in the City of Minot violating its certification that at least 70% of CDBG expenditures will be for activities that are considered to benefit LMI income persons over a grantee specified period of one to three program years. This requirement is statutory and must be met by City of Minot during this period.

CDBG regulations permit a wide variety of community, housing and economic development activities. A complete list of eligible activities should be reviewed with reference to the “Guide to National Objectives and Eligible Activities for CDBG Entitlement Communities”. Further guidance appears in the CDBG regulations at 24 CFR 570.201.

The basic eligible CDBG activities include, but are not limited to:

<b>Housing</b>	<ul style="list-style-type: none"><li>• Rehabilitation of low-income housing</li><li>• Homeownership assistance</li><li>• Acquisition, disposition, clearance, demolition, historic preservation</li><li>• Code Enforcement</li></ul>
<b>Public Facilities</b>	<ul style="list-style-type: none"><li>• Acquisition</li><li>• Construction / Reconstruction, Rehabilitation</li><li>• Installation</li><li>• Acquisition, disposition, clearance, demolition, historic preservation</li></ul>
<b>Economic Development</b>	<ul style="list-style-type: none"><li>• Microenterprise Assistance</li><li>• Commercial Rehabilitation</li><li>• Special Economic Development Activities to create or retain jobs</li></ul>
<b>Public Services</b> (15% limit)	<ul style="list-style-type: none"><li>• Job Training / Employment Services, Child Care</li><li>• Healthcare and substance abuse services</li><li>• Graffiti Removal</li><li>• Crime Prevention</li><li>• Fair Housing Counseling</li></ul>
<b>Planning and Administration</b> (20% limit)	<ul style="list-style-type: none"><li>• Development of the Consolidated Plan, Action Plan and CAPER</li><li>• General management, oversight and coordination</li><li>• Fair Housing activities</li><li>• Policy, planning, management and capacity building activities</li></ul>

Although the CDBG program includes a wide variety of eligible activities that may be selected, they may be undertaken only if the activity also meets one of the three permissible national objectives, including:

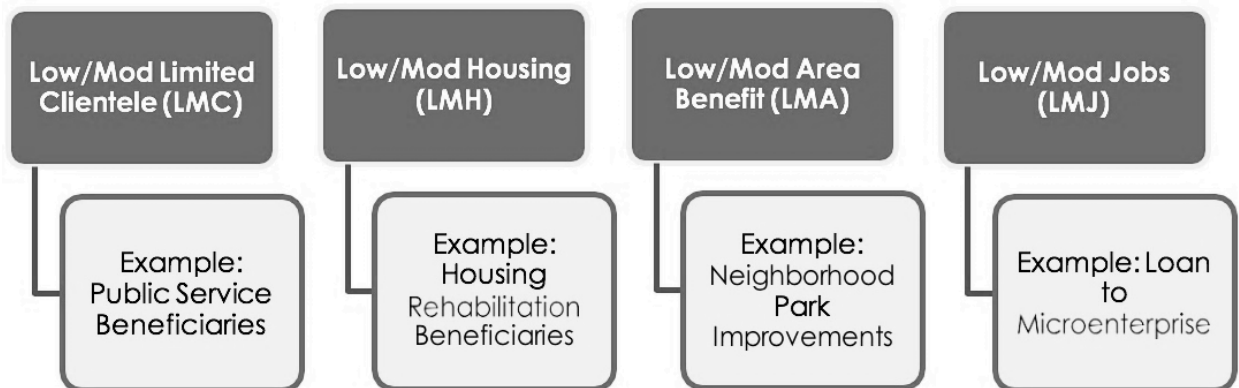


As indicated earlier, the CDBG statute and regulations requires that at least 70% of funds not used for program administration be spent on activities that meet the primary national objective of benefitting LMI persons. This requirement may be met during a one, two, or three-year period that is specified in the annual Action Plan certifications.

Within these three broad national objectives are subcategories that more specifically delineate how a national objective can be met. Due to regulatory limitations, there are certain national objective subcategories that are compatible with each eligible activity. A comprehensive table of eligible activities and permissible national objective subcategories appears in the “Guide to National Objectives and Eligible Activities for CDBG Entitlement Communities” on pages 2-1 through 2-96 (with the compatible national objectives shown on a separate chart for each eligible activity).

#### *o Benefit Low- and Moderate-Income Persons (LMI)*

There are four ways an activity can meet the LMI national objective:

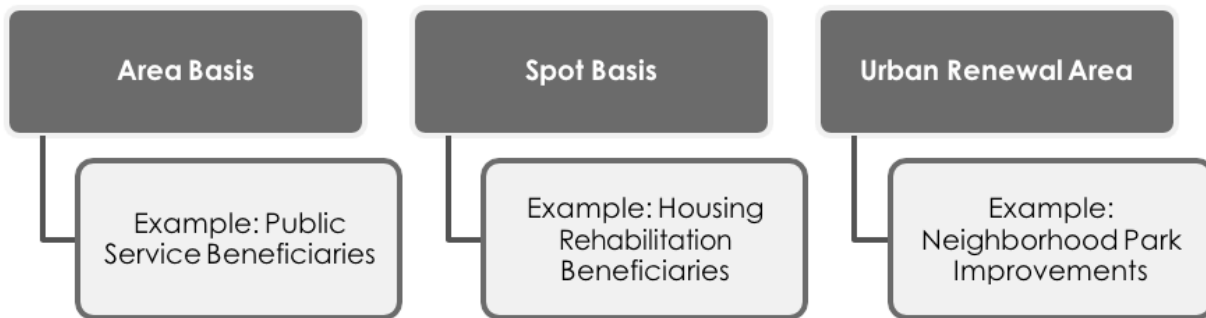


#### *o Prevent and Eliminate Slums or Blight*

The second of the CDBG national objectives has its roots in the Urban Renewal program, one of the major federal programs that were terminated and replaced with the CDBG program. Although the vast majority of people reside in areas that qualified for assistance under the Urban Renewal program were LMI persons, the principal focus of that program was to eliminate major slums and other areas of blight within the community and prevent the return of blight to the treated areas.



Because of concerns that the CDBG program might not allow the funding of such projects to continue, the national objective concerning slums and blight was created. In developing the criteria for qualifying under this national objective, HUD has taken considerable care to ensure that eligible activities clearly eliminate objectively determinable signs of slums or blight in a designated slum or blighted area, or are strictly limited to eliminating specific instances of blight outside such an area (“spot blight”). There are three subcategories under this national objective:



#### *o Meet an Urgent Need*

Pursuant to CDBG regulations, to comply with the national objective of meeting community development needs having a particular urgency, an activity must be designed to alleviate existing conditions that grantee certifies:

- Pose a serious and immediate threat to the health or welfare of the community,
- Are of recent origin or recently became urgent,
- The grantee is unable to finance the activity on its own, and
- Other resources of funding are not available to carry out the activity.

A condition will generally be considered of recent origin if it is developed or became critical within 18 months preceding the City of Minot’s certification.

#### Awards and Written Agreements

As explained above, the applications will be presented to the City of Minot for official review and approval after an administrative review determines that the proposed activities qualify as eligible and will meet one of the national objectives of the CDBG program.

Assuming the activities also address priority, needs identified in the Consolidated Plan, the proposals will be incorporated as part of City of Minot’s annual Action Plan submission to HUD. Upon approval by HUD, City of Minot can then make an award of CDBG funds to those entities that will assist in implementing the approved projects and activities.

Before disbursing funds to any organization that is carrying out CDBG activities on behalf of the City of Minot, staff must prepare a written subrecipient agreement. All subrecipient agreements with the City of Minot must contain a concise statement or scope of work that outlines an implementation plan for their CDBG activity. This statement, which will either be contained in or attached to the subrecipient agreement or Memorandum of Understanding (MOU), must include a description of the activity to be performed, the national objective claimed, the location and intended beneficiaries (number and type), a schedule for completing the work and a detailed budget. Furthermore, HUD stipulates that all written agreements with subrecipients include provisions on records and reports, program income, uniform requirements for federal awards, other program requirements (e.g. conflict of interest), suspension and termination and reversion of assets. These requirements, specified at 24 CFR 570.503, may vary over time and it is the responsibility of the City of Minot to remain aware of revised requirements.

Subrecipients of CDBG funds must enter into an agreement with the City of Minot. Fully executed written agreements are required before any CDBG funds will be disbursed. This subrecipient agreement serves as a formal contract addressing the various policies outlined in this document, in addition to contract amount/term, reimbursement requests, quarterly reporting, monitoring, financial management guidelines, uniform administrative requirements, suspension and termination, reversion of assets, conflict of interest, and additional Federal standards. Additionally, each subordinate unit of City of Minot receiving CDBG funds (that is, a separate department or office) must sign a Memorandum of Understanding (MOU) indicating an understanding of the items above.

Written agreements must remain in effect for the length of time that the subrecipient has control over any CDBG funds, including program income and assisted property. However, it is good practice to update subrecipient agreements annually to ensure the agreements are current with regulations and requirements. This process also allows an opportunity to revisit and clarify problem areas or issues.

The City of Minot is responsible for ensuring that CDBG funds are used in accordance with all program requirements. The use of designated public agencies, subrecipients, or contractors does not relieve the grantee of this responsibility. The grantee is also responsible for determining the adequacy of performance under subrecipient agreements and procurement contracts and for taking appropriate action when performance problems arise.

### **Chapter 3 – Financial Management**

- Grantee Budget (Grant and Program Income)
- Accounting System
- IDIS (including reconciliation with Accounting System)
- Procurement

In Chapter 2, this manual described how the process of completing and submitting the Consolidated Plan and annual Action Plans help the City of Minot determine what activities to fund during an upcoming program year with each annual grant award. The Action Plan establishes a budget for the annual CDBG allocation. The City of Minot also adopts a local budget for the Fiscal Year (FY) that recognizes the grant as a separate revenue source and identifies all the activities that will be funded

with CDBG dollars. It is essential that the CDBG revenues and expenditures are also reflected by grant year within the City of Minot's local budget and accounting system.

The City of Minot is responsible for stewardship of all their federal grant awards in a way that fully complies with federal guidelines and regulations. As a part of undertaking that stewardship, the City of Minot staff will need to be familiar with the, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" found at [2 CFR Part 200](#). These regulations now govern the use of all federal funds. The CDBG regulations at [24 CFR 570.502](#) address the applicability of these uniform requirements to the CDBG program as well as describing other grant administration requirements.

All CDBG grantees and subrecipients must have financial management system in place that comply with the standards specified in [2 CFR Part 200.302](#). For a financial management system to meet federal standards, it must:

- Provide effective control over and accountability for all collections and disbursements, real and personal property and other assets
- Identify the source and application of funds for federally-sponsored activities
- Permit the accurate, complete and timely disclosure of financial results in accordance with HUD reporting requirements or, for subrecipients, grantee reporting requirements
- Minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by the Grantee or subrecipient

Grantees must employ financial management systems capable of generating regular financial status reports that indicate the dollar amount allocated (including budget revisions), obligated, and expended for each activity. The system must permit the comparison of actual expenditures and revenues against budgeted amounts. The City of Minot must be able to isolate and trace every CDBG dollar received.

Not only CDBG Grantees, but also subrecipients must have financial management systems in place that comply with standards specified in Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards specified in [2 CFR Part 200](#).

### **Grantee Budget (Grant and Program Income)**

The City of Minot needs to have accounting records that identify all HUD programs and awards received and expended. This requirement is met by specifying, as applicable, the Catalog of Federal Domestic Assistance (CFDA) title and number, HUD award identification number and year, HUD's agency name (as the awarding agency), and name of the pass-through entity, if any. (This requirement will most likely be addressed in the chart of accounts.) Also, City of Minot's accounting records should contain information on annual CDBG awards, authorizations, obligations, unobligated balances, assets, expenditures, program income, and interest earned. The City of Minot program and financial staff will be responsible for ensuring that budgets are appropriately set up and approved, that mechanisms are in place to track all revenues and expenses through the Munis system, including program income generated from the CDBG program. Additionally, staff will have a firm understanding of how to use various HUD tools and guidance to ensure for managing the financial health of the program.

### Program Income

The City of Minot can reuse any revenue generated from projects undertaken with CDBG funding (known as program income) towards other eligible activities within the entitlement community. Also, any program income earned by a subrecipient can be retained by the subrecipient provided that, the CDBG written agreement allows retention of the program income by the subrecipient; the income is treated as additional CDBG funds; and the program income is subject to all applicable federal and local requirements.

As defined in [24 CFR Part 570.500](#), program income includes, but is not limited to, the following:

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

Subrecipients must track program income in their chart of accounts, using a segregated account for managing sources and uses. By the 15<sup>th</sup> day of the month following the end of the quarter, the subrecipient's program manager submits a report to the City that shows each transaction that generated program income and the subsequent transaction for which the program income was applied.

CDBG regulations require that, at the end of each program year, the City of Minot must determine whether they have excess program income on hand and return any excess to its line of credit. If the program income balance is in excess of one-twelfth of the City of Minot's most recent entitlement grant it must be remitted to the City of Minot's line of credit as soon as practicable after the excess is determined.

### Indirect Cost Allocation Plan Approval Process

In addition to the City of Minot's fiscal responsibility to ensure that CDBG funds are used in accordance with all program requirements, all administrative costs that are charged to the federally awarded CDBG program should be closely reviewed. Any indirect costs for which a subrecipients requests reimbursement are unallowable unless an indirect cost allocation plan has been preapproved by the City of Minot for a specific activity and contract. An approved indirect cost allocation must be in accordance with the requirements of the federal award to which they apply and [2 CFR Part 200, Cost Principles for Non-profit Organization, Appendix IV](#).

All costs included in the proposal must be properly allocable to federal awards on the basis of a beneficial or causal relationship between expenses incurred and the agreements to which they are allocated. The same costs that have been treated as indirect costs cannot be claimed as direct costs.

### **Accounting System**

The City of Minot is required to have accounting records that sufficiently identify the source and application of CDBG funds provided to them. To meet this requirement, the City of Minot's accounting system should include at least the following elements:

- *Chart of accounts* – This is a list of account names and the numbers assigned to each of the account names. The names provide a description of the type of transactions that will be recorded in each account (e.g., an account titled “cash” denotes that only transactions affecting cash should be recorded in that account). The account number is required by most accounting software programs and is assigned to an account name to group similar types of accounts. For example, all asset accounts will begin with a “#1” and all liability accounts will begin with a “#2”. A typical chart of accounts will generally include the following categories: assets, liabilities, net assets/fund balance, revenues and expenses.
- ☐ *Cash receipts journal* - A cash receipts journal documents, in chronological order, when funds were received, in what amounts and from what sources.
- ☐ *Cash disbursements journal* - A cash disbursements journal documents, in chronological order, when an expense was incurred, for what purpose, how much was paid and to whom it was paid.
- ☐ *Payroll journal* - A payroll journal documents payroll and payroll related benefit expenses on salaries and benefits, including distinguishing between categories for regulatory purposes.
- ☐ *General ledger* - A general ledger summarizes, in chronological order, the activity and financial status of all the accounts of an organization. Information is transferred to the general ledger after it is entered into the appropriate journal. Entries transferred to the general ledger should be cross-referenced to the applicable journal to permit the tracing of any financial transaction.

All journal entries must be properly approved and supported by source documentation.

Documentation must show that costs charged against CDBG were:

- ☐ Incurred during the effective period of the agreement with HUD and actually paid out (or properly accrued);
  - Expended on eligible items; and

- Approved by the appropriate official(s) within the organization.
- Source documentation must explain the basis of the costs incurred and the actual dates of the expenditure. For example:
  - Source documentation for payroll would include employment letters, authorizations for rates of pay and benefits and time and attendance records.
  - Source documentation on supplies would include purchase orders or purchase requisition forms, invoices from vendors, canceled checks made to vendors, information on where the supplies are stored and the purpose for which they are being used.
- The City of Minot ensures that its accounting records include reliable, up-to-date information on the sources and uses of CDBG funds, including:
  - Amount of federal funds received;
  - Current authorization of funds;
  - Obligations of funds;
  - Unobligated balances;
  - Assets and liabilities;
  - Program income; and
  - Actual expenditures broken down by the grant program and year for which the funds are derived and the activity on which the funds were used.

### **IDIS (including reconciliation with Accounting System)**

The Integrated Disbursement and Information System (IDIS) is an electronic system that the City of Minot uses to effectively fund and report on its CDBG program. IDIS also provides HUD with timely information on both a grantee's performance and compliance. Grantees can use IDIS reports as a key tool to better manage its CDBG program. Guidance on the use of IDIS for activity setup, funding, drawdowns, accomplishment reporting as well as generating reports is available from a complete manual entitled [IDIS Online for CDBG Entitlement Grantees](#).

IDIS generates standard CDBG program reports that provide financial and performance information. There are 89 different "PR" reports available in a noncontiguous range from PR01 to PR110. The PR05 and PR07 provide drawdown details. Since Fiscal Year 2015, IDIS commits and disburses funds on a grant-specific basis, regardless of when the funds were appropriated. It does not use first in, first out methods as in the past.

### **eCon Planning Suite**

The City of Minot uses the [eCon Planning Suite](#) to integrate the development of its annual Action Plan and the IDIS activity setup and funding processes. This ensures that all of the key reporting elements of the grants management cycle are integrated into one system and ensures cohesiveness between the goals described in the Consolidated Plan and Action Plan and the outcomes tracked in IDIS and reported in the Consolidated Annual Performance and Evaluation Report (CAPER).

Importantly, IDIS will also need to be reconciled with the City of Minot's accounting system. Both systems of tracking funds must be coordinated and tell the same story about funding allocations and drawdowns. Obligations, expenditures, and program income submitted to HUD in the (CAPER), or other applicable reports must all reconcile with the accounting records. As the City of Minot or its subrecipients incur expenses, claims for payment are submitted, reviewed and approved for payment by appropriate CDBG program staff who then sends claims for payment to the Accounts Payable Division in the Finance Department. After checks have been issued for these claims, drawdowns of these expenses are completed in IDIS. To guide its effective use of IDIS, City staff refers to: [IDIS Training for CDBG Grantees](#).

## Procurement

The City of Minot is responsible for ensuring that its procurement of goods and services with CDBG funds conform to or exceed Federal procurement standards. It must also determine the adequacy of performance under subrecipient agreements and procurement contracts and take appropriate action when performance problems arise.

All procurements made in whole or in part with CDBG funds must comply with the applicable federal requirements found in [2 CFR Part 200.318](#) (General Procurement Standards). The requirements governing the purchasing process are designed to ensure that the City:

- Follows a **free and open competitive process** in securing those products or services.
- Properly **documents** its purchasing activities and decisions.
- Observe the special **rules for particular kinds of purchases** (small purchases, competitive sealed bids, competitive proposals, and sole source procurements).
- **Properly bond and insure** work involving large construction contracts and/or subcontracts.
- Use **local businesses** and contract **with small, minority and/or women-owned businesses** to the maximum extent feasible.

Matrix of Applicability: Rules and Types of Federal Award Recipients			
Rule	All federally funded recipients	Local governments and subrecipients	State governments and subrecipients
2 CFR Part 200.317, 322, 326, Appendix II		yes	yes
2 CFR Part 200.318 – 326, Appendix II		yes	limited to above
Debarment	yes	yes	yes
Davis-Bacon	yes, if program threshold met	yes, if program threshold met	yes, if program threshold met
Work hours and safety	yes	yes	yes
Equal opportunity	yes	yes	yes
Section 3	yes, according to thresholds	yes, according to thresholds	yes, according to thresholds

The City of Minot should use whichever procurement policy is stricter, theirs or CDBG's.

For more on expectations around Financial Management in the CDBG program and a useful checklist, see Exhibit 34-1 *Guide for Review of Financial Management and Audits* of the [CPD Monitoring Handbook 6509.2](#).



## **Chapter 4 – Program Compliance**

- Environmental Review
- Fair Housing & Nondiscrimination (including Section 3)
- Labor Standards

Upon HUD approval of each annual Action Plan and issuance of a CDBG grant award, the letter of approval to the City of Minot places conditions on the grant award. The City of Minot is expected to ensure that its Community Development program complies with all related federal laws and regulations.

Standard conditions for the use of CDBG funds include provisions related to environmental review, fair housing and non-discrimination as well as labor standards. Because those three “cross-cutting” federal requirements are certain to apply to all CDBG grantees, they are detailed in this Chapter. Uniform Relocation Act requirements and Lead-Based Paint Standards may also apply. Guidance for those two additional requirements appear in the Appendix B. Links to the HUD Exchange for the full range of possibly applicable laws and regulations are provided as well.

### **Environmental Review**

One standard condition relates to environmental review. The letter states that no CDBG funds may spent on projects without conducting an environment review and documenting that review in an ‘environmental review record’. The City of Minot enters into a grant agreement with HUD making assurances that it will satisfy that condition. As such, the following procedure must be followed in conformance with those assurances, related HUD guidelines and federal law.

Among the applicable requirements:

- ☐ The National Environmental Policy Act (NEPA) of 1970 requires federal agencies to go through a formal process before taking any action anticipated to have substantial impact on the environment
- ☐ HUD regulations at [24 CFR Part 58](#) allow the assumption of authority to perform the environmental reviews by responsible entities (REs). Responsible entities are limited to states or units of general local government, such as a city or county. The responsible entity is accountable for the scope and content of the review and for deciding of whether a CDBG funded activity has any significant environmental impact
- ☐ Other related federal environmental laws and authorities [View Resources](#)

### **HUD Guidance**

HUD's regulations at 24 CFR 58.22 prohibit grant recipients and their partners from committing or spending HUD or non-HUD funds on any activity that could have an adverse environmental impact or limit the choice of reasonable alternatives prior to completion of an environment review once a project anticipates CDBG funding. This prohibition on "choice-limiting actions" prohibits physical

activity, including acquisition, rehabilitation, and construction, as well as contracting for or committing to any of these actions.

HUD has developed an online system for developing, documenting, and managing environmental reviews. It covers all levels of environmental reviews for CDBG funded projects and includes on-screen guidance for completing HUD environmental reviews. The City of Minot staff who undertake environmental reviews may access the system referred to [HEROS - HUD's Environmental Review Online System](#).

#### Basic Environmental Review Procedures

These environmental review procedures must be completed for each CDBG funded program, project or activity carried out with HUD grant awards to the City of Minot as applicable.

##### ☐ Environmental Review Record (ERR)

The City of Minot must prepare and maintain a written record of the environmental review undertaken for each project. This written record or file is called the Environmental Review Record (ERR), and it must be available for public review upon request.

- Depending on the project, the City of Minot will require that a subrecipient, partner or other party cooperate in gathering information for the review.
- Planning staff will ask that a project sponsor provide information or complete an environmental review checklist based on the scope and content of a proposed project.
- Staff will utilize that information in determining how a project may be best considered for environmental review, or whether more detailed information will be needed to evaluate that question.

Funding applicants seeking to use grants for acquisition or construction projects should compile information for the ERR to the best of their knowledge and ability. The City of Minot staff will be available to provide assistance, and will review the data gathered upon completion.

#### Categories

The ERR will vary in length and content depending upon the level of review required for the categories of activities. The five levels of environmental reviews and examples of CDBG activities are as follows:

1. Exempt (Planning & Administration Activities)
2. Categorically Excluded from NEPA, not subject to the related laws and authorities (Delivery of Public Services)
3. Categorically Excluded from NEPA, subject to the related laws and authorities (Street Paving or Park Improvements)
4. Environment Assessment (Construction of Public Facilities)

5. Environmental Impact Statement (Large Scale Development Projects with Potential for Significant Impact)

Process for Clearance

Depending on the required level of environmental reviews, staff will proceed to complete the environmental review procedures on behalf of the City of Minot in the capacity of Responsible Entity (RE).

Appearing on the following page is a detailed flow chart for the environmental review process beginning with grantee defining the project, determining the necessary level of review, completing the appropriate assessment (with applicable consultation and noticing) and ending with a satisfactory ERR.

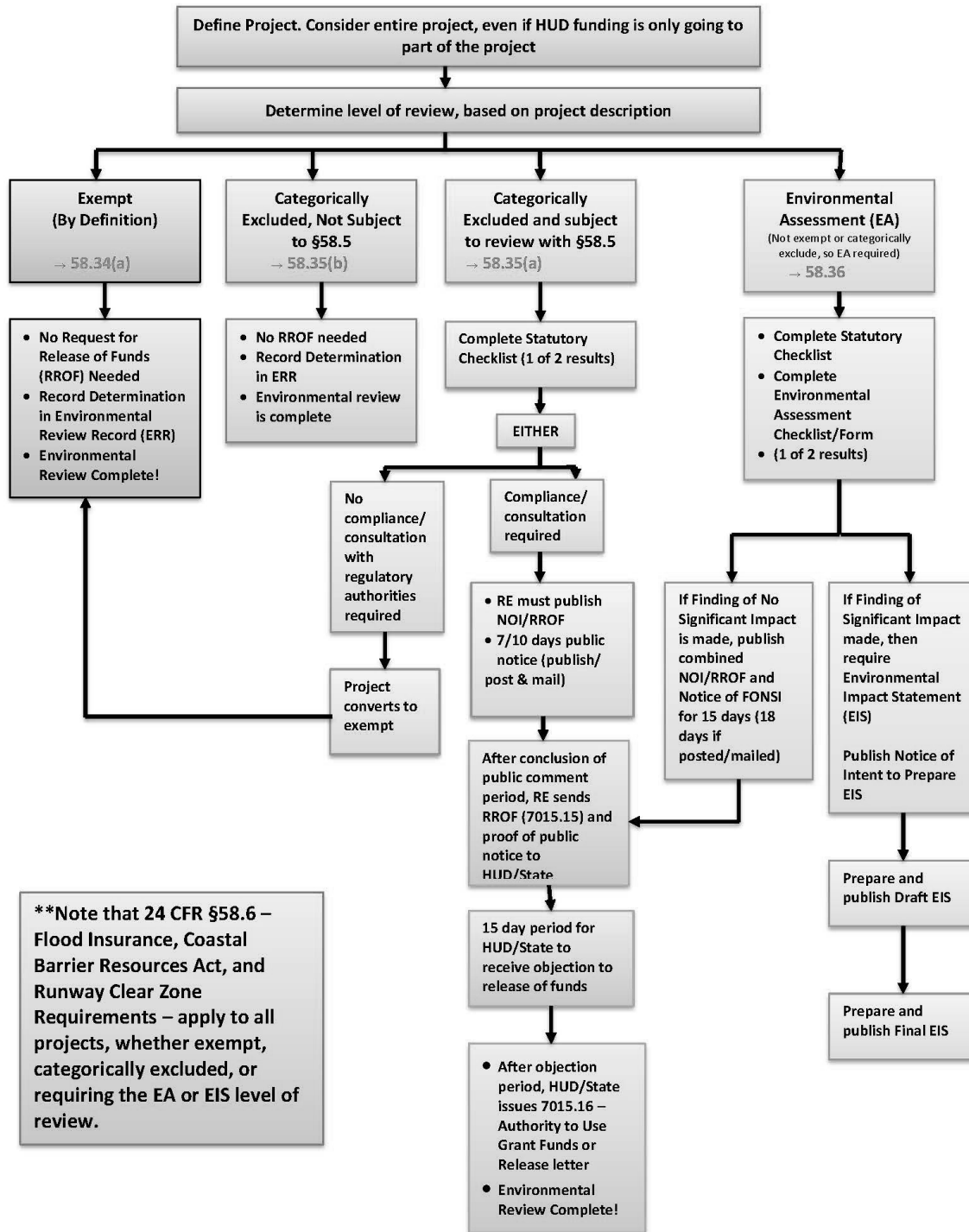
For a project site that meets HUD's environmental review standards, the typical outcome is to publish a notice known as a "Finding of No Significant Impact," or "FONSI" in the local paper. That FONSI allows the public to comment directly to HUD on the content of and methodology used to create the ERR for the project.

Following the comment period, any comments are considered by HUD and through the City of Minot's formal request, the ERR may be approved. This is accomplished through a process known as the "Request for Release of Funds and Certification."

Public comments, concerns and appropriate resolution by the recipient are extremely important and must be fully documented in the ERR.

For the City of Minot, the Mayor or City Manager is the certifying official and will sign the official ERR document on behalf of the HUD grantee.

## Environmental Review Process (To Be Conducted by Responsible Entity)



As indicated above, the ERR must contain all the environmental review documents, public notices (and proof of their publication), and written determinations or environmental findings required by 24 CFR Part 58 as evidence of review, decision making and actions pertaining to a particular project.

Depending on the level of review, the ERR will include evidence of analysis shown at the HUD Exchange [here](#). This may include the so-called [Statutory Checklist](#) and [Additional Factors to Consider in an Environmental Assessment](#).

Documents included in the ERR must:

- ☐ Describe the project and each of the activities comprising the project, regardless of individual activity funding source;
- ☐ Evaluate the effects of the project or the activities on the human environment;
- ☐ Document compliance with applicable statutes and authorities; and
- ☐ Record the written determinations and other review findings required by 24 CFR Part 58.

NOTE: A full environmental assessment may take longer than expected, depending on project and site complexity. Each project sponsor is admonished to respect the prohibition on "choice-limiting actions" regarding physical activity, including acquisition, rehabilitation, and construction, as well as contracting for or committing to any of these actions. The City of Minot staff will discuss this process with project sponsors in more detail as they work through the environmental review process.

**Fair Housing & Nondiscrimination** (including Section 3)

When seeking HUD approval of CDBG funding, the City of Minot, ND also makes assurances that it will affirmatively further fair housing and ensure equal opportunity under [applicable federal laws](#). As such, the following procedure must be followed in conformance with those assurances, related HUD guidelines that enforce such federal law.

The applicable requirements include:

<b>Federal and State Laws and Regulations</b>	<b>Fair Housing &amp; Non-discrimination</b>	<b>Accessibility</b>	<b>Equal Employment &amp; Contracting</b>
Title VI of the Civil Rights Act of 1964	X		
Title VIII of the Civil Rights Act of 1968 (The Fair Housing Act)	X	X	
Section 109 of Title 1 of the HCD Act of 1974	X		X
The Fair Housing Amendment Act of 1988	X		
The Age Discrimination Act of 1975	X		
Section 504 of the Rehabilitation Act of 1973	X	X	X
The Americans with Disabilities Act of 1990 (ADA)	X	X	X
Section 109 of Title I of the HCD Act of 1974	X		X
The Equal Employment Opportunity Act			X
Section 3 of the Housing and Urban Development Act of 1968			X
Executive Order 11246			X
2 CFR Part 200 (Uniform Administrative Requirements)			X

### Overview of Procedures

The City of Minot and its subrecipient, partner or other parties must adhere to all the basic tenets of fair housing and equal opportunity regulations. Recipients are prohibited from practicing discrimination on the grounds of race, color, national origin, religion, sex, handicap, or familial status.

This prohibition applies to all project contractors or subcontractors. Beneficiary information should be requested, collected and necessary demographic data compiled, with a summarization of this information made available in the project file for public review.

**Fair Housing**

According to HUD's Fair Housing Planning Guide, the broad objectives of Affirmatively Furthering Fair Housing (AFFH) can be interpreted to mean:

- Analyze and eliminate housing discrimination in the jurisdiction.
- Promote fair housing choice for all persons.
- Provide opportunities for racially and ethnically inclusive patterns of housing occupancy.
- Promote housing that is physically accessible to, and usable by, all persons, particularly persons with disabilities.
- Foster compliance with the nondiscrimination provisions of the Fair Housing Act.

**Accessibility**

The City of Minot shall abide by HUD regulations in Section 504, HUD's implementation of the American with Disability Act (ADA). The City of Minot is to conduct a self-evaluation of accessibility to determine their current programs, services, policies, and practices meet the requirements of Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act.

**Equal Opportunity**

Nondiscrimination is a requirement of employment and employment practices. Employment opportunities may not be denied on the basis of race, color, national origin, sex, age, religion, familial status, or disability. Affirmative action and equal employment opportunity policies are fundamental aspects of CDBG funded activities.

The ADA modifies and expands the Section 504 Rehabilitation Act of 1973 to prohibit discrimination against "a qualified individual with a disability" in employment and public accommodations. The ADA requires that an individual with a physical or mental impairment who is otherwise qualified to perform the essential functions of a job, with or without reasonable accommodation, be afforded equal employment opportunity in all phases of employment.

**Section 3**

Pursuant to Section 3 guidance, direct recipients of HUD financial assistance must ensure that employment and other economic opportunities generated by that assistance is directed to low- and very low-income persons. This entails special outreach to such residents and businesses for those opportunities, setting goals and submitting reports to HUD for the purpose of determining the effectiveness. Direct recipients include entitlement communities and certain NOFA awardees that utilize HUD funding for construction and rehabilitation activities.

Within 3 months of the end of a fiscal year, the City of Minot must annually submit HUD Form 60002 through HUD's on-line system.

## Labor Standards

Similar to the assurances City of Minot makes to HUD regarding environmental review and fair housing, it agrees to follow federal labor standards on CDBG funded projects. As such, the following procedure must be followed in conformance with those assurances, related HUD guidelines and federal law.

The applicable requirements include:

- The Davis-Bacon and Related Acts (DBRA) requires all contractors and subcontractors performing work on non-housing federally assisted construction contracts over \$2,000 to pay their laborers and mechanics not less than the prevailing wage rates and fringe benefits for corresponding classes of laborers and mechanics employed on similar projects in the area. Non-housing activities include construction or rehabilitation of a public facility (e.g., a homeless shelter or senior center), or installation of public improvements to support affordable housing or provide benefit to low-income neighborhoods (e.g. streets, water/sewer lines).

Federal Davis-Bacon prevailing wage rate requirements may also apply to a federally-assisted housing project if you are proposing a:

- CDBG-funded project that will involve rehabilitation of multifamily housing containing eight or more assisted units; or
- HOME-funded project that will build or rehabilitate 12 or more assisted units.

These requirements often have an impact on the cost of projects and carry with them significant record-keeping procedures. Applicants are encouraged to contact staff early in their project planning for further information if a proposed project will be subject to Davis-Bacon. If yours will be a covered project, your solicitation documentation will need to alert contractors that Davis-Bacon requirements apply, and will need to include the appropriate federal wage decision and other required labor provisions. The prevailing wage rates and fringe benefits are determined by the Secretary of Labor for inclusion in covered contracts. Federal wage decisions will be made available by staff for project cost feasibility determinations upon request, or can be found [here](#).

### Overview of Procedures

These specific procedures are used by the City of Minot to assist contractors and subcontractors in meeting contractual labor standards responsibilities. All major administrative and procedural activities are described in the sequence they will occur as the construction project progresses. The word “employer,” as used below, refers to the prime contractor, each subcontractor, or each lower-tier subcontractor.

Payrolls and documentary evidence of compliance is required to be sent in the delivery procedure as follows:



- ☐ Each lower-tier subcontractor, after careful review, submits required documents to the respective subcontractor.
  - ☐ Each subcontractor, after checking his own and those of each lower-tier subcontractor he may have, submits required documents to the prime contractor.
- The prime contractor, after reviewing all payrolls and documentation, including his/her own, and correcting violations where necessary, submits all certified payroll reports to grant administration staff.

*Working Subcontractors Are Not Exempt from Receiving Prevailing Wage.* Davis-Bacon Act regulations specifically stipulate that independent subcontractors are not exempt from receiving weekly prevailing wage for the classification of work that they perform. This is true regardless of any contractual relationship between the primary contractor and subcontractor. This means that it is the prime contractor's responsibility to ensure that a prevailing wage rate is paid to subcontractors performing on-site work. (Source: Department of Labor Relations Letters dated January 13, 1993 and December 2, 1996.)

#### Before Construction Begins

City of Minot staff must ensure that the prime contractor has:

- Not been debarred or otherwise made ineligible to participate in any Federal or federally-assisted project (search for excluded contractors at [www.sam.gov](http://www.sam.gov))
- Received the appropriate contract provisions covering labor standards requirements.
- Reviewed and understands all labor standards contract provisions
- Received the applicable wage decision as part of the contract.
- Requested and received the minimum wage for each classification to be worked on the project that was not included on the wage decision by completing the additional wage classification process and before allowing any such trade(s) to work on the project.

#### At Construction Start

City of Minot staff must ensure that the contractor has:

- ☐ Notified staff of the construction start date in writing
- ☐ Has placed each of the following on a bulletin board that is prominently located on the project site and can be easily seen by workers (and replaced if lost or unreadable at any time during construction):
  - A copy of the Wage Decision
  - "Notice to Employees" Poster
- ☐ Before assigning each project worker to work, has obtained the worker's name, job classification, and best mailing address. (Note: It is no longer necessary to report an employee's Social Security number on every certified payroll report. Only the last four digits of the employee's SSN must be reported, and only on the first payroll report in which that employee worked on the Davis-Bacon covered project).

- ☐ Has informed each worker of:
  - His/her hourly wages (not less than the minimum wage rate for his/her work as stated on the Wage Decision);
  - Payment of overtime at the rate of time and one half for all work over 40 hours per week;
  - Fringe benefits, if any (see wage decision for any required), paid in cash or into an approved third-party trust; and
  - Permissible deductions from his/her pay and/or any deductions voluntarily requested in writing from the employee.

#### During Construction

City of Minot staff must ensure that the contractor:

- ☐ Has not selected, assigned, paid different pay rates to, transferred, upgraded, demoted, laid off, and not dismissed any project worker because of race, color, religion, sex, or national origin or other Federal, state or local protected class.
- ☐ Must comply with all safety and health standards.
- ☐ Must pay all workers weekly
- ☐ Must submit weekly payroll reports prepared on either recommended form WH-347 (or on computerized printouts cleared by grant administration staff) and accompanied by the Statement of Compliance.

#### Weekly Payroll Review

City of Minot staff must ensure that:

- ☐ ☐ Subcontractors and lower-tier subcontractors have promptly reviewed the weekly payroll for compliance with all labor standards requirements (using this checklist) and has made any necessary corrections
- ☐ ☐ The prime contractor has received all weekly payrolls or reports that no work was performed (refer to “No Work Performed” Notice) from each subcontractor or lower-tier subcontractor, has reviewed and requested necessary corrections and has submitted all payrolls, including his own, to grant administration staff within 7 work days of the last date of the respective work week.

#### After Project Completion

City of Minot staff must ensure that:

Each employer keeps all weekly payroll reports on the project for no less than three years after the prime contractor's project completion date.

#### Periodic Report

Lastly, City of Minot staff must ensure a report on labor standards compliance activity is submitted to HUD. As a HUD entitlement community that completes construction projects over \$2,000 in cost, City of Minot is required to semi-annually submit the Semi-Annual Labor Standards Enforcement Report on HUD Form 4710, to HUD's Labor Relations Specialist. This action enables to HUD to satisfy its responsibilities under the Davis-Bacon and Related Acts (DBRA) and Contract Work Hours and Safety Standards Act.

### **Chapter 5 – Monitoring**

- Internal Review (within local government)
- Subrecipient Oversight
- Records to be Maintained

During the implementation of its CDBG program, City of Minot's staff are responsible for internal reviews, oversight of subrecipients and ensuring that records demonstrating compliance with program requirements are maintained. Monitoring is not a one-time event, but rather an ongoing process during which staff have an opportunity to ensure their internal systems are sound and to build relationships with subrecipients. While monitoring activities differ depending on the type of CDBG program or project being administered, monitoring begins with determining whether projects are eligible and concludes with closing out grants and/or long-term monitoring of certain projects.

City of Minot staff oversee the following subrecipient flow of activities to ensure compliance with CDBG regulations and procedures:

- Eligibility verification
- Procurement
- Pre-construction
- Construction
- Invoice/change order requests
- Project completion

The City of Minot's monitoring process follows the standards and procedures detailed in HUD monitoring handbooks, guidelines, and technical assistance publications. See CPD Monitoring Handbook 6509.2.

The objectives are to ensure that subrecipients:

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- Carry out their CDBG-funded projects in a timely manner, as described in their agreements (as modified or amended).
- Determine if any conflicts of interest exist in the operation of the CDBG program, per 24 CFR 570.611.
- Comply with all regulations governing their administrative, financial, and programmatic operations.
- Achieve their performance objectives within schedule and budget.
- Have continuing capacity to carry out the approved program or project.
- Maintain required records to demonstrate compliance with applicable regulations.
- Comply with the Federal monitoring requirements of 24 CFR 570.501(b) and with 2 CFR 200.328 and 2 CFR 200.331.

#### *Internal Review (within local government)*

An important part of monitoring is conducting regular internal soundness checks of the City of Minot's policies, procedures, and systems. Conducting at least annual internal assessments will help the City of Minot to: (1) ensure that its program is strong and efficient; (2) easily complete HUD-required reporting; and (3) prepare Grantee for monitoring visits from HUD.

Some questions that the City of Minot should ask of itself during internal assessments include:

- What is the City of Minot's system for ensuring that CDBG funds are used in accordance with program requirements?
- Does the City of Minot maintain written procedures describing its management of the CDBG program?
- How are responsibilities for implementing and managing the CDBG program assigned and delegated?
- Who is in charge of the overall day-to-day administration of the program and does this person have appropriate authority to effect change or force actions to occur?
- If activities are carried out by multiple departments within the City of Minot's governmental structure, do the departments communicate well, share information, and address concerns with performance?
- Has a system been developed/maintained to track the progress of each CDBG-funded project or activity with a timetable and scheduled completion dates?
- Does the program participant have an information system to collect the following data for the CAPER, with regard to the use and investment of CDBG resources? Does in-house information match information entered into IDIS for these data points?
  - Physical location and geographic distribution?
  - LMI beneficiaries?
  - Racial/ethnic data (beneficiaries and displaces)?
  - Fair housing actions?
  - Housing characteristics?

#### **Subrecipient Oversight**

Monitoring of subrecipients should maximize limited grantee resources by directing efforts to those entities that are at the greatest risk for non-compliance. To ensure full compliance with the regulations, the City of Minot takes a proactive approach to oversight, including desk and on-site monitoring that involves several tasks throughout the program year.

### **Desk Monitoring**

The desk monitoring process involves an initial review of activities, and informs the City of Minot's risk assessment which is used to determine which subrecipients will receive an on-site monitoring visit. To conduct a desk monitoring, City of Minot staff review all the written data available in-house, and follow these steps:

- Step 1: Review subrecipient's application for CDBG funding
- Step 2: Review the subrecipient agreement.
- Step 3: Review any progress reports submitted during the current program year.
- Step 4: Review any drawdown requests made to date.
- Step 5: Review documentation of previous monitoring visits and copies of any audits by HUD or any independent party.

### **Risk Assessment**

The annual risk assessment carried out by City of Minot staff is key to developing the monitoring plan. The risk assessment is designed to match staff resources with the highest risk activities based on indicators of need and capacity among subrecipients. Decisions are made to ensure the integrity of programs, including identifying of the subrecipients to be monitored on-site and remotely, the program areas to be covered, and the depth of the review. The selection process should result in identifying those subrecipients and activities that represent the greatest vulnerability.

A list of subrecipient risk factors that should be considered in the assessment follows:

- Ongoing turnover or recent loss of experienced staff responsible for programmatic implementation or financial management
- The amount of the CDBG award
- Inaccurate, incomplete or late performance reports
- Inaccurate or untimely reimbursement requests
- City of Minot staff experience persistent difficulties with managing the subrecipient
- Whether the subrecipient was monitored in the previous year
- The amount of program income a subrecipient generates from its activity

### **On-site Monitoring**

The key document in the monitoring process is the subrecipient agreement. The agreement details all pertinent regulations, certifications and deliverables, as well as the schedule and budget that the subrecipient must comply with in carrying out project activities. The agreement, which incorporates the guidance provided by this manual, also details the performance measures that the subrecipient must meet, including the documentation required to substantiate both performance and compliance.

Staff will use the subrecipient agreement and HUD's CDBG subrecipient monitoring checklists for continuous oversight of project activities and to conduct onsite monitoring visits. The monitoring exhibits are found in HUD's CPD Monitoring Handbook 6509.2.

Site visit monitoring procedures include the following sequence of events:

A. Issue a Notification Letter:

1. Confirm the dates and the scope of the monitoring;
2. Provide a description of the information you want to review during your visit; and
3. Specify the expected duration of the monitoring, which of your staff will be involved, what office space you require, and what members of the subrecipient's staff you need to talk with.

B. Conduct an Entrance Conference:

1. Subrecipient staff have a clear understanding of the purpose, scope and schedule of the monitoring

C. Documentation, Data Acquisition and Analysis

1. Annotate a monitoring checklist or handbook with notes about particular case numbers, statistics or financial figures; and
2. Review and analyze the subrecipient's written policies obtained from the file reviews, on-site inspection of projects, or discussions with subrecipient staff

D. Conduct an Exit Conference with the following objectives:

1. To present preliminary results of the monitoring visit;
2. To provide an opportunity for the subrecipient to correct any misconceptions or misunderstandings;
3. To secure additional information from subrecipient staff to clarify or support their position;
4. 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; and
5. To give the subrecipient an opportunity for questions and additional technical assistance.

E. Prepare a Follow-up Monitoring Letter

1. Include background information: contract number of grant(s) monitored; date(s) of monitoring; names(s) of CDBG staff who conducted the review; scope of monitoring; names of local officials involved in the monitoring visit
2. Describe any deficiencies (finding/concerns/recommendations defined below) formally and quickly in a letter that also includes corrective actions as appropriate.
3. Create a permanent written record of what was found during the monitoring review.
4. Document findings, which are non-compliance with the rules and regulations of the CDBG program and ensure each finding is:
  - a. Accurately identified;
  - b. Based on applicable law, regulation, or program policy;
  - c. Supported by the facts presented in the monitoring letter;
    - Identify corrective actions and timeframes for correction;
    - Identify concerns, less serious deficiencies, with supportive information and specific recommendations for improvement.
    - If appropriate, offer technical assistance.

The monitoring letter will be sent within 30 days of the monitoring visit or earlier, if possible, particularly if there are major findings. Subrecipients must respond in writing to any findings within 30 days after receipt of the monitoring letter. The response must include copies of supporting documentation demonstrating that corrective actions has been taken. Failure by the subrecipient to correct deficiencies may result in funds being withheld and possible restrictions on future grants.

### **Contractors**

In addition to monitoring of subrecipients, the City of Minot conducts regular oversight of contractors engaged to perform services as a result of procurement. This oversight generally follows the terms of the written agreement between the City of Minot and the contractor. As noted in Chapter 4 on Program Compliance, a wide range of requirements must be met, documented and reported. Further details on this oversight depend also on the type of contract, its value and other circumstances.

## **Chapter 6 – Reporting**

- CAPER
- Federal Financial Report and Other Reports
- Audit

Toward the end of the grant cycle, the City of Minot must address its obligation to report on use of CDBG funding. Reporting is a critical part of ensuring that CDBG funds are being used for the purpose for which they were intended. There are five major reports that staff need to prepare. Each have specific purposes, and guidance and tips on how to best meet the reporting requirements are included in Appendix B. The City of Minot has designated staff that is responsible to meet the reporting deadlines as mandated by regulations. The reports are due to HUD at various points throughout the year as indicated below.

Consolidated Annual Performance Evaluation Report (CAPER) The CAPER explains how the City of Minot is carrying out the housing and community development strategies, projects, and activities described in its Consolidated Plan and annual Action Plans. It is meant to report and assess the progress towards achieving strategic plan goals. City of Minot staff prepare the CAPER annually, entering and submitting the report in IDIS as part of the eCon Planning Suite. The CAPER reports data on beneficiaries and common indicators (such as number of persons, households, businesses, units, or beds assisted) for nearly all program activities. Along with financial information, these indicators demonstrate results as part of an outcome performance measurement system.

The CAPER is made available for a 15-day public review and comment period at the end of each program year, in addition to being discussed at no fewer than three (3) City Council advisory and Committee meetings. Public comment is solicited through brief surveys, print advertisements, and welcomed at a public hearing held during a meeting of the City of Minot City Council. The City of Minot must submit the locally approved CAPER to HUD no later than 90 days following the close of the program year. Failure to submit the CAPER may result in the suspension of funds or withdrawal and reallocation of funds as determined by HUD.

The CAPER submission includes preparation of the PR-26 Financial Summary Report, including the PR 26 Activity Summary Report. The report documents whether the City is in compliance with CDBG's primary objective which is to use funds primarily for the benefit of low- and moderate-income persons. The report also determines whether the City is in compliance with the limitations placed on administrative and public services costs. Steps for completing the report include generating the following micro strategy reports from IDIS:

- PR-03 CDBG Activity Summary Report
- PR-07 Drawdown Report by Voucher Number
- PR-09 Program Income Detail by Program Year and Program
- PR-26 Prior Year CDBG Financial Summary Report

Housing staff runs the initial reports from IDIS and reconciles them with what's been invoiced and reported by subrecipients. If any activities were improperly entered, corrections are made in IDIS, the reports are re-run and submitted to the Finance Department for review. This step is completed prior to the start of the public comment period to give the public a chance to review the draft report. Finance staff checks the reports against the general ledger, reconciles the report with the Munis accounting system, and submits the approved report to Housing staff. The updated information is used to generate the final report which is submitted to HUD as part of the CAPER.

#### *Federal Financial Report and Other Reports*

The City of Minot's staff must ensure that expenditures of CDBG funds are drawn down from the U.S. Treasury on a timely basis, per 24 CFR 570.902. Staff must also prepare and submit four periodic reports during the program year: The Federal Financial Report, the Contract-Subcontract Activity Report, the Semi- Annual Labor Standards Enforcement Report, the Federal Funding Accountability and Transparency Act (FFATA) Report, and the Section 3 Summary Report.



Each report documents and certifies critical program compliance information that HUD uses to evaluate the City of Minot's risk as part of its annual risk assessment process that determines which Grantees will receive on-site monitoring visits. For this reason, it is critical that each periodic report is prepared accurately and submitted to HUD in a timely manner.

#### Federal Financial Report

HUD requires CPD grant recipients to periodically submit reports on the financial progress of the CDBG grant. The IDIS Cash on Hand Quarterly Report is collected through the Federal Financial Report (PR 29). This report is submitted in IDIS and is due within 30 days after the end of each quarter. Since the City of Minot operates its grants with HUD on a reimbursement basis, the report will consistently report either a zero balance or negative cash on hand. The instructions for this report form may be obtained [here](#).

The PR 29 is prepared after staff has pulled micro strategy reports from IDIS, including PR 07 and PR 09 which verify which expenses are documented in IDIS. Housing staff enters the information into the PR 29 report template, prints for review and approval by the Finance Department and the Housing Director, and then submits the report via the IDIS portal. The due dates for the PR 29 are as follows:

- Quarter 1 (covering 7/1 – 9/30) DUE: October 30
- Quarter 2 (covering 10/1 – 12/31) DUE: January 30
- Quarter 3 (covering 1/1 – 3/31) DUE: April 30
- Quarter 4 (covering 4/1 – 6/30) DUE: July 30

#### Contract-Subcontract Activity Report

HUD uses the Contract-Subcontract Activity Report (form HUD-2516) to monitor and evaluate MBE activities against the total program activity and the designated Minority Business Enterprise (MBE) and Women Business Enterprise (WBE) goals. HUD requires the information to provide guidance, oversight and for the development of MBE and WBE goals. The report must be submitted to the Field Office's Fair Housing and Equal Opportunity (FHEO) representative within 30 days of the end of the federal Fiscal year.

#### Semi-Annual Labor Standards Enforcement Report

The City of Minot prepares a Semi-Annual Labor Standards Enforcement Report (form HUD-4710) for the periods of October 1-March 31 and April 1-September 30. Each report is submitted to the Field Office Labor Relations Specialist within 7 calendar days after the end of the period covered, or upon request.

The Semi-Annual Labor Standards Enforcement Report provides information on contracts awarded that must comply with the Davis-Bacon Act and Related Acts and/or the Contract Work Hours and Safety Standards Act. Specifically, the report lists each project/contract awarded during the reporting period for which DBRA or CWHSSA is applicable.

The report also includes information on enforcement activities undertaken by the City of Minot during the reporting period. The information reported on contracts (Part I) is separate from that reported on

enforcement activity (Part II) and should only be reported to HUD on the HUD-4710 form once. For example, a contract should only be reported on the report corresponding to the period when the contract was awarded. Similarly, enforcement activity is aggregated and reported on the form covering the period when the enforcement activity took place. Therefore, enforcement activity may be reported for projects/contracts that appeared on any prior report as a contract awarded under Part I.

### Section 3 Summary Report

The Section 3 Annual Report provides details on the City of Minot's accomplishment towards the Section 3 goals prescribed at 24 CFR Part 135. The City of Minot submits the Section 3 Annual Report online using the Section 3 Performance and Evaluation Registration System as described in Chapter 4.

### Audit

Audit requirements ensure independent review and full transparency. An audit does not just look at the numbers but looks at program performance and compliance. There are specific compliance requirements that are inspected in a CDBG audit. They include:

- Activities allowed and unallowed
  - National objectives fulfilled
  - Eligible activities funded
- Compliance with the Davis-Bacon Act
- Matching, level of effort and earmarking
  - Including at least 70% funds expended for LMI persons
- Compliance with Period of Available Federal Funds
- Procurement, suspension and debarment
- Program income
- Compliance with reporting requirements
- Subrecipient monitoring
- Special tests and provisions
  - Citizen participation
  - Environmental review
  - Rehabilitation is completed

Specific regulatory standards for audits are found at 2 CFR Part 200 Subpart E. Grantees and subrecipients that expend \$750,000 or more in federal awards during a fiscal year, must have a single or program-specific audit conducted.

When the audit is completed, City of Minot must submit to the Federal Audit Clearinghouse the reporting package required by 2 CFR 200.507(c)(3) and the data collection form prepared in accordance with 2 CFR 200.512(b) within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. To find out more information visit the webpage <https://harvester.census.gov/facweb/>

For a checklist of what is expected of the Grantee throughout the audit process, see Exhibit 34-1 Guide for Review of Financial Management and Audits of the CPD Monitoring Handbook 6509.2.

## **Chapter 7 – Closeout**

- Completion in IDIS (Beneficiary Data)
- Records and Retention

CDBG entitlement grants between HUD and a grantee are typically not closed out. Rather the grantee continues to receive ongoing allocations each year with congressional appropriations. However, where there are serious performance issues, HUD may close a grantee's program so that no additional funds are received (see 24 CFR Subpart O). Other special circumstances for closing grants between a grantee and HUD are described in Notice-CPD-14-02, Closeout Instructions for CDBG Program Grants. For instance, a metropolitan city that was a direct grantee may decide to relinquish its entitlement status in order to become part of an urban county. In this case, HUD may close the city's grant.

So, while it is unlikely that a grantee will need to close its CDBG grant with HUD, to complete the lifecycle of an activity funded by CDBG, City of Minot staff must close out each activity. Activities cannot be closed out until a final invoice is submitted by the subrecipient and all monitoring activities have been completed.

Closeout is an integral internal management process by which programmatic, financial and management staff verify that appropriate records demonstrating compliance with all applicable HUD regulations are on file and ready for audit. These documents should provide a comprehensive record of project activities, beneficiaries, and total cost. The City of Minot must maintain these records to demonstrate that it has met all of its obligations to HUD as delineated in the Action Plan certifications that are signed and submitted to HUD with Form PR 26.

### **Completion in IDIS (Beneficiary Data)**

Staff implements closeout procedures as part of IDIS activity. This includes accomplishment reporting and completion as well as the preparation of the CAPER.

Accomplishments must be reported for all CDBG activities except those that do not meet a national objective. HUD expects all grantees to report activity accomplishments as they are realized, but at least quarterly. City of Minot staff must report accomplishments for each program year the activity is open and at activity completion. (The only exception to quarterly/annual reporting is public facilities, which should not be reported until the facility is complete). Specific instructions appear in the IDIS Manual for CDBG Entitlement Communities.

City of Minot staff will verify that records are available to demonstrate that each CDBG activity has complied with 24 CFR 570 and all City of Minot procedures have been followed in the implementation of each activity.

The closeout process may vary between different activities. However, a best practice is presented in the steps below:

1. Receive final reimbursement request and final report from subrecipient, contractor or other entity. The final report should consist of the following:
  - Financial Information: This information summarizes all grant expenditures by activity as identified in the current project budget. All budget amendments should be submitted and approved prior to submitting the final report. If the report is submitted and grant funds remain at the end of a project, the subgrantee must follow the instructions contained in its written agreement or contact the City of Minot for instructions.
  - Accomplishments Data: This element requires specific information regarding project impact. The subgrantee must maintain adequate records throughout the project lifecycle to successfully complete this section. The number of LMI beneficiaries must be listed in this section. Any changes between the proposed number of beneficiaries and the actual number of beneficiaries must be addressed.
  - Census tracts and/or block groups cited must correspond to the written agreement, unless otherwise noted. Demographic data for each census tract and block group must be reported. The subgrantee must provide updated information regarding the LMI benefit achieved by the project. For economic development projects, subrecipients must report on job creation and retention.
2. Verify financial and programmatic records and supporting documentation. This may involve preparing activity records for future audit by third parties. When working with subrecipients, ensure that subrecipient monitoring has been conducted to verify subrecipient files properly maintained and funds were properly invested. Any monitoring findings must be resolved.
3. Process the final reimbursement request to ensure timely payment of reimbursement requests.
5. Conduct the final IDIS drawdown by initiating a final draw of activity funds in IDIS.
6. Mark Activity “Complete” in IDIS, as appropriate, and provide for management review of programmatic and financial records prior to marking a particular activity “complete” in IDIS. See Records section below for information on records that should be maintained.

### **Records and Retention**

City of Minot staff should place complete documentation in the corresponding CDBG activity file, including, but is not limited to:

- Written agreements;
- Key accounting records;

- Supporting documentation;
- Correspondence and e-mails between and among related parties;
- Evidence of monitoring (monitoring letter, entrance conference sign-in sheet, monitoring results, supporting documentation etc.)

CDBG subrecipients must adhere to HUD's recordkeeping requirements as contained in 24 CFR 570.506. HUD funded records must be retained for five years after the completion of the program, in order to allow access for audit and public examination. If audit findings are not resolved, the records must be retained beyond the five years. The retention period starts when the annual or final expenditure report has been submitted or, for nonexpendable property, from the date of final disposition.







Salesforce will be used as the official electronic record keeping system. Records will be retained according to the guidelines established by HUD or the State of North Dakota, whichever is more stringent.

## Appendix A

The following table outlines approximate dates of the application process from subrecipients to apply for CDBG funds. These dates are dependent on awards being announced.

<b>January 2</b>	<b>RFP Released in paper for 30 days</b>
<b>February 1</b>	<b>RFP application due</b>
<b>February 15</b>	<b>Applicant presentations</b>
<b>March 1</b>	<b>Action Plan Developed and Contracts developed</b>
<b>March 15</b>	<b>30 day public comment period</b>
<b>April 15</b>	<b>Public Hearing and Council Approval</b>

## Appendix B

-  Guide to National Objectives and Eligible Activities for CDBG Entitlements  
<https://www.hudexchange.info/resource/89/community-development-block-grant-program-cdbg-guide-to-national-objectives-and-eligible-activities-for-entitlement-communities/>
  -  IDIS for CDBG Entitlement Communities Manual  
<https://www.hudexchange.info/sites/onecpd/assets/File/IDIS-for-CDBG-Entitlement-Manual.pdf>
  -  CDBG Matrix Codes Sheet  
<https://files.hudexchange.info/resources/documents/Matrix-Code-Definitions.pdf>
  -  CPD Monitoring Handbook, Chapter 3: CDBG Entitlements (and related checklists)  
<https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.hud.gov%2Fsites%2Fdocuments%2F65092C3.DOC&wdOrigin=BROWSELINK>
  -  Uniform Administrative Requirements, 2 CFR Part 200  
<https://files.hudexchange.info/resources/documents/CDBG-Entitlements-and-the-Uniform-Administrative-Requirements.pdf>
  -  Other Federal Requirements (such as Uniform Administrative Requirements and Lead Based Paint Standards) \*
- <https://files.hudexchange.info/resources/documents/Basically-CDBG-Chapter-17-Lead.pdf>

\* Standard conditions for the use of CDBG funds include provisions related to environmental review, fair housing and non-discrimination as well as labor standards. Because those three “cross-cutting” federal requirements are certain to apply to all CDBG grantees, they are detailed in body of these model policies and procedures. Uniform Relocation Act requirements and Lead-Based Paint Standards may also apply. Guidance for those two additional requirements appear in the Appendices. Links to the HUD Exchange for the full range of possibly applicable laws and regulations are provided as well