# Community Development Block Grant Policies and Procedures Manual

City of Providence, Community Development
444 Westminster Suite 3A
Providence, RI

Mayor Angel Taveras

Updated: 6/11/2014

# Table of Contents


**Introduction** 4

**Welcome to CDBG** 6

**CDBG National Objectives** 10

- Area Benefit 11
  - Limited Clientele 12
  - Housing 12
  - Jobs 13
  - Slum and Blight 14
  - Urgent Need 15
- Determining Income 16

**CDBG Eligible Activities** 17

- Public Service 19
- Public Facilities and Infrastructure Improvements 21
- Housing 24
- Economic Development 26
- Acquisition, Disposition, Clearance, & Relocation 31
- Limitations of CDBG Funding 35

**Fiscal Policies and Procedures** 37

- Recordkeeping 41
- Budgeting 44
- Allowable Costs 47
- Audits 48
- Program Income 51
- Monthly Reimbursements 52
- Purchasing and Contracting 55
- Equipment Procurement 58

**Program Policies and Procedures** 59

- Reporting 60
- Demonstrating Client Eligibility 62
- Client Documentation and Records 64
- File Organization and Maintenance 65
- Conflict of Interest 66

**Program Policies and Procedures Cont…**


| | |
|---|---|
| Religious Activities | 69 |
| Political Activities | 70 |
| Program Income | 71 |
| Anti-Discrimination Policies | 72 |
| Access for Persons with Disabilities | 74 |
| Building and Program Accessibility | 76 |
| Environmental Standards | 78 |
| National Flood Insurance | 80 |
| Equal Employment Opportunity | 81 |
| Use of Debarred, Suspended, or Ineligible Contractors/Vendors | 82 |
| Limited English Proficiency Access | 83 |
| Drug Free Workplace | 84 |
| Insurance Requirements | 85 |
| Rights to Inventions Made Under a Contract or Agreement | 87 |
| Clean Air Act and the Federal Water Pollution Control Act | 88 |
| Providence Connects/First Source | 89 |
| **Policies & Procedures for Construction/Improvement/Acquisition Activities** | 92 |
| Construction Timeline | 93 |
| Labor Standards and Davis Bacon | 94 |
| Displacement, Relocation, Acquisition, and Replacement Housing | 95 |
| Lead Based Paint | 97 |
| **Monitoring** | 99 |

# Introduction

The City of Providence receives a yearly CDBG (Community Development Block Grant) entitlement grant from the US Department of Housing and Urban Development (HUD). To continue participation in this program, the City contractually agrees with HUD to implement the Housing and Community Development Act of 1974 and related CDBG program regulations in 24 CFR 570. All CDBG awards are subject to the regulations detailed in OMB Circulars A-110 and A-122.

The City of Providence has utilized CDBG funds to improve community facilities and services, revitalize neighborhoods, expand affordable housing, and expand economic opportunities that benefit low/moderate-income persons. The City must use at least 70% of the entitlement for activities that either directly benefit low/moderate-income persons or serves an area where the majority of the residents are low/moderate-income.

**This manual applies to all CDBG funds awarded by the City of Providence.** The purpose of this manual is to provide management support to CDBG-funded Agencies, while ensuring that all Agencies adhere to federal and City of Providence rules and requirements. “Agency” or “Agencies” refer to subrecipient entities that include nonprofits, City of Providence departments, public agencies, and other government organizations. It is designed to help Agencies understand the requirements that apply to the use of federal funds for the delivery of the CDBG Program and its eligible activities.

It is a **supplement** to applicable regulations, standards, and policies. The basic program regulations, government management, and financial systems for the CDBG Program are contained in the Code of Federal Regulations Title 24 and various Office of Management and Budget (OMB) Circulars referenced in this manual.

This manual does not replace or amend any of the provisions included in the Agreement executed between the City and subrecipient Agencies and should not be used in lieu of reading the articles of the Agreement. Should there be any disagreement between the executed Agreement and this manual, the provisions contained within the Agreement shall take precedence. The Agreement refers to the executed contract, service level agreement or memorandum of understanding with the Agency.

The procedures prescribed in this manual represent minimum requirements and controls that must be embodied within the Agency’s accounting, internal controls, and financial reporting systems. They are not intended to replace existing procedures used by the Agency that achieve the same results.

The Operating Manual is incorporated in its entirety into the Agreements entered into by the City and Agencies for the operation of CDBG-funded projects. Each Agency must comply with the minimum requirements and procedures prescribed in this manual to the maximum extent feasible. In addition, each Agency must ensure that a copy of the Manual is accessible to all personnel responsible for compliance with requirements and procedures contained in the manual.

The approval of the City’s CDBG Program Office must be obtained for any deviation from the minimum requirements contained in this manual that may be necessitated by the organizational structure, staffing level, or other limitations of a particular Agency. Any proposed

deviations shall be considered by the CDBG Program Office upon receipt of a written request submitted by the Agency that includes a completed Agreement/Operating Manual Exemption Request Form.

This Operating Manual and any revisions that may be issued from time to time shall be effective until superseded or canceled by appropriate notice from the CDBG Program Office. Comments and suggestions for changes, modifications, or improvements are encouraged, and should be submitted in writing to the CDBG Program Office.

# Welcome to CDBG

# Welcome to CDBG

## Purpose of Manual

The City of Providence Division of Community Development provides this manual as a valuable resource for program administrators implementing Community Development Block Grant (CDBG) funded projects and for those contemplating applying for CDBG funds.

The on-line version of the manual contains the latest information provided by the Division to assist CDBG grantees in complying with state and federal requirements. Located on the Division's website (http://www.providenceri.com/planning/community-development) in close proximity to the online manual are current forms and reference materials to assist implementation of projects.

## Updates

Users of this manual are encouraged to check for monthly updates at the Division's website http://www.providenceri.com/planning/community-development. Updated material is clearly identified for those wanting only to print off new or updated material to incorporate into their hard copy manuals. Information may change for a variety of reasons, including changes in federal regulations, state requirements, and in the interpretation of a federal regulation or clarification of a requirement.

## CDBG Program

The CDBG Program is authorized under Title I of the Housing and Community Development Act of 1974 (HCD Act), as amended, codified at 42 U.S.C. §5301 et seq.

The primary objective of the CDBG Program is to develop viable communities by providing the following, principally to persons of low and moderate income:

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

All activities must meet one of the following national objectives for the program:

- Benefit low- and moderate-income persons,
- Prevent or eliminate slums or blight, and/or
- Fulfill community development needs that have a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community.

The United States Department of Housing and Urban Development (HUD) administers the CDBG Program. The regulations created by the Office of the Assistant Secretary of Community Planning and Development that pertain to Community Development Block Grants are contained within 24 CFR Part 570.

## Successful Implementation of a CDBG Grant

Agencies, which receive a CDBG grant, must be able to implement their program soon after the award and complete performance within the specified time frame. All tasks undertaken with a CDBG grant must be in compliance with the CDBG contract, federal regulations, and all guidelines listed in this document. Lastly, all CDBG grants must fulfill the national objective and performance objectives outlined in their funding application and contract.

Prior to contract execution, all Subrecipients must submit to our office for approval:

- Updated Scope of Work (including project timeline)
- Updated Budget (with confirmed matching resources, where applicable)
- Procurement Plan (3 bids, WBE/MBE Outreach, etc)
- Necessary federal, state and local permits and licenses (where applicable)
- Section 504 Handicap Accessibility Questionnaire
- Affirmative Action Plan
- Audited Financial Statements

Additionally, all Subrecipients must attend each of the following:

- Annual Program Workshop,
- Annual Fiscal Workshop,
- One-on-one Contracting Session, &
- Any other trainings required throughout the year.

Failure to comply with any of the above may result in forfeiture of the CDBG Funding provided to Subrecipient under the Agreement.

**Written Agreement with City**

A written agreement must be entered into between the City and all entities receiving CDBG funds. The written agreement forms the basis for the contractual obligation between the parties to fund and implement the activity or program. The agreement will denote responsibilities attributable to each party, and shall outline in exact measure the scope of services to be provided, methods of accountability, and a schedule for payment. Execution of the agreement binds the Subrecipient for a specified period of time, and may be revised only upon written authorization from the City. Compliance with the stipulations in this Program Manual is a requirement of the written agreement.

**Limitation of Expenditures**

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

**Contracting & Project Implementation Timeline**

| Timeframe | Successful Implementation of a CDBG Grant | Responsible Party |
|---|---|---|
| Spring | Announcement of Mayor's CDBG Budget | City |
| Spring | City Council Reviews, Amends, & Approves CDBG Budget | City |
| Spring | CDBG Budget is Submitted to HUD in the Annual Action Plan | City |
| Spring | HUD approves the City's Action Plan and releases the funds | City |
| Summer | Award Letters are sent with Final Award Amounts | City |
| Summer | Each Project is assigned to a Grant Program Coordinator | City |
| Fall | Subrecipients attend the Program & Fiscal Workshops | Subrecipients |
| Fall | Subrecipients attend a One-on-One Contracting Session | Subrecipients |
| Fall | Subrecipients submit updated budgets & scopes of work | Subrecipients |
| Before Contract Signing | City Staff Conduct an Environmental Review of all Projects | City |
| Before Contract Signing | City Staff Conduct an inspection (for all projects that include construction) | City |
| Whenever Documents are Complete | Subrecipients and the City sign Contract Agreement | Subrecipients/City |
| Prior to Bid | Subrecipients shall submit construction bids to City Staff for Review | Subrecipients |
| During Bidding | Subrecipients shall submit documentation to City MBE/WBE Office showing their efforts to outreach/utilize Minority Business Enterprises (MBE) and Women Business Enterprises (WBE) firms. | Subrecipients |
| Annually (Varies on Audit Schedule) | Subrecipients shall submit their agency's most recent audited financial statements. If an agency does not qualify for an audit, a reviewed Financial Statement signed by the President of the Board, and the Treasurer will be required. | Subrecipients |
| Throughout Project | City Staff Conduct onsite monitoring visits | Subrecipients/City |
| Quarterly, 15th of the Month | Subrecipients submit quarterly beneficiary reports to the City | Subrecipients |
| Throughout Project | Subrecipients submit regular requisitions for re-imbursement to the City | Subrecipients |
| At Close of Project | Subrecipients submit final requisitions for re-imbursement to the City | Subrecipients |
| At Close of Project | City Staff Conduct an Inspection to Verify Completion of Work (Construction Projects) | City |
| At Close of Project | Subrecipients submit Closeout Report to the City | Subrecipients |

# CDBG National Objectives

# CDBG National Objectives

The primary emphasis of the CDBG grant program is to ensure that each activity meets and complies with one of HUD's three broad objectives, which are:

1. Benefit to low-and moderate-income households and/or persons*

2. Prevention and/or elimination of slum and blight

3. Addressing other community development needs having a particular urgency

**Low/Moderate Income Persons are defined as households under 80% of Area Median Income.*

| FY 2014 Income Limits* | | Household Size | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Very Low Income | 30% of AMI | 15,200 | 17,350 | 19,500 | 21,650 | 23,400 | 25,150 | 26,850 | 28,600 |
| Low Income | 50% of AMI | 25,300 | 28,900 | 32,500 | 36,100 | 39,000 | 41,900 | 44,800 | 47,700 |
| Moderate Income | 80% of AMI | 40,450 | 46,200 | 52,000 | 57,750 | 62,400 | 67,000 | 71,650 | 76,250 |

**Income Limits are updated annually. Subrecipients are responsible for ensuring they are using the most current income limit.*

These objectives are broken down into smaller categories. Each activity funded under CDBG must meet one of the following categories for the CDBG National Objective.

**National Objectives:**

**Area Benefit –**

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

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

- Improvements to neighborhood park
- Improvements to public infrastructure like the installation of gutters and sidewalks
- Development of a community center

**Limited Clientele Benefit –**

Activities in this category provide benefits to a specific group of persons rather than everyone in an area. It may benefit particular persons without regard to their residence, or it may be an activity that provides a benefit to only particular persons within a specific area.

Under this category, 51 percent of the beneficiaries of an activity have to be Low to Moderate Income persons.

In contrast to the area benefit category, it is not the LMI concentration of the service area of the activity that determines whether the activity will qualify or not, but rather the actual number of LMI persons that benefit from the activity.

Examples include:

- Homeless Shelters
- Youth Centers
- Daycares
- Domestic Violence Safe Homes & Programs

**Housing Benefit –**

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

- Rental buildings under common ownership and management that are located on the same or contiguous properties may be considered as a single structure.
- For rental housing, occupancy by LMI households must be at affordable rents, consistent with standards adopted and publicized by the grantee.

Under the following limited circumstances, structures with less than 51 percent LMI occupants may be assisted:

- Assistance is for an eligible activity that reduces the development cost of new construction of non-elderly, multi-family rental housing; and At least 20 percent of the units will be occupied by LMI households at an affordable rent; and
- The proportion of cost borne by CDBG funds is no greater than the proportion to be occupied by LMI households.

When housing activities are conducted by a community development financial institution (CDFI) or as part of an approved NRSA, multiple units (e.g. scattered site housing) may be aggregated for the purposes of meeting the LMI housing national objective.

NOTE: This flexibility does not apply to activities under the Direct Homeownership Assistance eligibility category (570.201(n)).

**Jobs Benefit –**

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

- If grantees fund activities that *create* jobs, there must be documentation indicating that at least 51 percent of the jobs will be held by, or made available to, LMI persons.
- For funded activities that *retain* jobs, there must be sufficient information documenting that the jobs would have been lost without the CDBG assistance and that one or both of the following applies to at least 51 percent of the jobs:
    - The job is held by a LMI person; or
    - The job can reasonably be expected to turn over within the following two years and steps will be taken to ensure that the job will be filled by, or made available to, a LMI person.

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

- He/she resides in a Census tract/block numbering area that has a 20 percent poverty rate (30 percent poverty rate if the area includes the central business district); and the area evidences pervasive poverty and general distress; or
- He/she lives in an area that is part of a Federally-designated Empowerment Zone (EZ) or Enterprise Community (EC); or
- He/she resides in a Census tract/block numbering area where at least 70 percent of the residents are LMI.

As a general rule, each assisted business shall be considered to be a separate activity for purposes of determining whether the activity qualifies under the job creation and retention category for meeting a national objective.

However, in certain cases, such as where CDBG funds are used to acquire, develop or improve a real property (e.g., a business incubator or an industrial park), the requirement may be met by measuring jobs in the aggregate for all the businesses that locate on the property, provided such businesses are not otherwise assisted by CDBG funds.

Additionally, where CDBG funds are used to pay for the staff and overhead costs of an entity making loans to businesses from non-CDBG funds, this requirement may be met by aggregating the jobs created by all of the businesses receiving loans during any program year.

**Slum Blight Area Basis (SBA)**

This category covers activities that aid in the prevention or elimination of slums or blight in a designated area. To qualify under this category, the area in which the activity occurs must be designated as slum or blighted. The following tests apply:

- The designated area in which the activity occurs must meet the definition of a slum, blighted, deteriorated or deteriorating area under state or local law;
- Additionally, the area must meet either one of the two conditions specified below:
    - Public improvements throughout the area are in a general state of deterioration; or
    - At least 25 percent of the properties throughout the area exhibit one or more of the following:
    - Physical deterioration of buildings/improvements;
    - Abandonment of properties;
    - Chronic high occupancy turnover rates or chronic high vacancy rates in commercial or industrial buildings;
    - Significant declines in property values or abnormally low property values relative to other areas in the community; or
    - Known or suspected environmental contamination.
- Documentation must be maintained by the grantee on the boundaries of the area and the conditions that qualified the area at the time of its designation. The designation of an area as slum or blighted must be re-determined every 10 years for continued qualifications.

As stated above, qualified activities must address the identified conditions that contributed to the slum and blight.

NOTE: When undertaking residential rehab in a slum/blight area, the building must be considered substandard under local definition and all deficiencies making the building substandard must be eliminated before less critical work is undertaken.

**Slum Blight Spot Basis (SBS)**

These are activities that eliminate specific conditions of blight or physical decay on a spot basis and are not located in a slum or blighted area. The designated spot must meet the definition of a slum, blighted, deteriorated or deteriorating area under state or local law. Activities under this category are limited to acquisition, clearance, relocation, historic preservation, remediation of environmentally contaminated properties, and building rehabilitation activities.

Furthermore, rehabilitation is limited to the extent necessary to eliminate a specific condition detrimental to public health and safety.

**Urgent Need (URG)**

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

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

Examples include:

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

## Determining Income

Every subrecipient must serve persons of low and moderate income:

- Low-income is defined as a household that does not exceed 50 percent of HUD Section 8 Rental Income Limits.
- Moderate-income is defined as a household that has an income that does not exceed 80 percent of Section 8 Rental Income Limits.

HUD updates these limits on an annual basis. It is the responsibility of the subrecipient to adhere to all new guidelines from the date they receive them. To receive the most up to date income guidelines go to www.hud.gov. It is the responsibility of the subrecipient to document that the beneficiaries of the CDBG activity being funded are indeed low to moderate income.

| National Objective | Income Documentation Tool | Minimum LMI | Period |
|---|---|---|---|
| Area Benefit | Description of Service Area with:<br>▪ Map with Boundaries<br>▪ Documentation that Area is primarily residential<br>▪ Documentation of Income Characteristics (Census Block Area or Survey) | 51% | At Project Conception |
| Limited Clientele Benefit | ▪ Income Documentation for each individual served:<br>o 3rd Party Verification (required if financial assistance is distributed)<br>o Self Declaration of Income | 51% | At Intake |
| Housing Benefit | ▪ Income Documentation for each household served:<br>o 3rd Party Verification | 51% or 1 of 2 units | 6 months before occupation of unit |
| Jobs Benefit | ▪ Income Documentation for each individual served:<br>o 3rd Party Verification (required if financial assistance is distributed)<br>o Self Declaration of Income | At least 1 Job | At hiring (if new hire) & at project completion (if maintaining job) |

# CDBG Eligible Activities

# CDBG Eligible Activities

**The following activities are eligible in CDBG under CFR 570.200-570.210**

- Acquisition of Real Property
- Disposition
- Public Facilities and Improvements
- Clearance
- Public Services
- Interim Assistance
- Relocation
- Loss of Rental Income
- Privately-Owned Utilities
- Rehabilitation
- Construction of Housing
- Code Enforcement
- Special Economic Development Activities
- Microenterprise Assistance
- Special Activities by CBDO
- Homeownership Assistance
- Planning and Capacity Building
- Program Administration Costs
- Miscellaneous Other Activities
- Technical Assistance
- Assistance to Institutions of Higher Education
- Housing Services

They are described in greater detail in the following pages.

## Public Services

Under this category, CDBG funds may be used to provide public services (including labor, supplies, materials and other costs), provided that the following criteria is met:

The public service must be either:

- ✓ A new service; or
- ✓ A quantifiable increase in the level of service

above that which has been provided by or on behalf of the local government, or received from the State during the 12 months prior to submission of the grantee's applicable Action Plan. (This requirement is intended to prevent the substitution of CDBG funds for recent support of public services using local or State government funds.)

*Note that there is a cap on the amount on CDBG funds that a City may obligate within a program year to support public service activities.*

Paying the cost of operating and maintaining that portion of a facility in which the service is located is also considered to fall under the basic eligibility category of Public Services, even if such costs are the only contributions made by CDBG for those services.

The following Public Services are **not** eligible under this category:

- Political activities;
- Inherently religious activities, such as worship, religious instruction, or proselytizing as part of the services funded.
- Ongoing grants or non-emergency payments (defined as more than 3 consecutive months) to individuals for their food, clothing, rent, utilities, or other income payments;
- Administrative costs – CDBG funds in this category should only cover the delivery and supervision of services;
- Payment of mortgages – CDBG funds should not contribute to debt;

***Examples of Public Service activities, with Matrix codes***

| | | |
|---|---|---|
| *05A Senior Services* | *05B Handicapped Services* | *05C Legal Services* |
| *05D Youth Services* | *05E Transportation Services* | *05F Substance Abuse Services* |
| *05G Services for Battered and Abused Spouses* | *05H Employment Training* | 05I Crime Awareness/Prevention |
| *05J Fair Housing Activities* | *05K Tenant/Landlord Counseling* | *05L Child Care Services* |
| *05M Health Services* | *05N Services for Abused and Neglected Children* | *05O Mental Health Services* |
| *05P Screening for Lead Poisoning* | 05Q Subsistence Payments | *05R Homeownership Assistance (not direct)* |
| *05S Rental Housing Subsidies* | *05T Security Deposits* | *05U Housing Counseling* |
| *05V Neighborhood Cleanups* | *05W Food Banks* | *03T Operating Costs of Homeless/AIDS Patients Programs* |

## Public Facilities and Infrastructure Improvements

CDBG funds may be used by the grantee or other public or private nonprofit entities for the:

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

of public improvements or facilities (except for buildings for the general conduct of government).

“Public facilities” and “public improvements” are broadly interpreted to include all improvements and facilities that are either publicly owned or that are traditionally provided by government, or owned by a nonprofit, and operated so as to be open to the general public.

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

This category does *not* authorize expenditures for buildings for the general conduct of government, unless CDBG funds are being used to remove barriers from such buildings that restrict the mobility and accessibility of elderly or severely disabled persons.

Public facilities and improvements authorized under this category also do **not** include:

- Costs of *operating* or *maintaining* public facilities/improvements;
- Costs of purchasing construction equipment;
- Costs of furnishings and other personal items such as uniforms; or
- New construction of public housing

Examples of Public Facilities and Improvements, with Matrix codes

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

**Privately-Owned Utilities**

The grantee, other public agencies, private nonprofit entities, and for-profit entities may use CDBG funds to:

- ✓ Acquire,
- ✓ Construct,
- ✓ Reconstruct,
- ✓ Rehabilitate, or
- ✓ Install

the distribution lines and related facilities for privately-owned utilities.

***Definition:*** A privately-owned utility may be defined as a publicly-regulated service which is provided through the use of physical distribution lines to private properties and that is owned and operated by a non-public entity. Utilities include, but are not necessarily limited to, natural gas, electricity, telephone, water, sewer, and television cable services.

Relevant Matrix Code

| |
|---|
| *11 Privately Owned Utilities* |

## Housing

CDBG funds may be used to finance the costs of rehabilitation of residential property, whether privately or publicly owned. This includes manufactured housing when such housing constitutes part of the community's housing stock. In order to be eligible for CDBG funds, a residential property must be:

- ✓ A single- or multi-family residence;
- ✓ The principle residence of the property owner or lessee;
- ✓ A low- to moderate- income household. Affordability restrictions may apply.

*Eligible types of assistance*

- Costs – Costs of labor, materials, supplies and other expenses required for the rehabilitation of property, including repair or replacement of principal fixtures and components of existing structures (e.g., the heating system).
- Property acquisition – Assistance to private individuals and entities (whether profit or not-for-profit) to acquire for the purpose of rehabilitation and to rehabilitate properties *for use or resale for residential purposes*.
- Security devices – Installation costs of sprinkler systems, smoke detectors and dead bolt locks, and other devices for security purposes.
- Insurance – The costs of *initial* homeowner warranty premiums and, where needed to protect the grantee's interest in properties securing a rehabilitation loan, hazard insurance premiums as well as flood insurance premiums for properties covered by the Flood Disaster Protection Act of 1973.
- Conservation – Costs required to increase the efficient use of water (e.g., water saving faucets and shower heads) and improvements to increase the efficient use of energy in structures through such means as installation of storm windows and doors, insulation, and modification or replacement of heating and cooling equipment.
- Water and sewer – Costs of connecting existing residential structures to water distribution lines or local sewer collection lines.
- Tools – Costs of acquiring tools to be lent to owners, tenants and others who will use the tools to carry out rehabilitation.
- Barrier removal – Costs to remove material and architectural barriers that restrict the mobility and accessibility of elderly and severely disabled persons to buildings and improvements that are eligible for rehabilitation under this category.
- Landscaping, sidewalks, and driveways – The costs of installation or replacement of landscape materials, sidewalks, and driveways *when incidental to other rehabilitation of the property*.
- Renovation of closed buildings – The conversion of a closed building from one use to another (e.g., the renovation of a closed school building to residential use).
- Historic preservation – This category also authorizes the costs of preserving or restoring residential properties of historic significance, whether privately- or publicly-owned.

- Lead-based paint hazard evaluation and reduction – The costs of evaluating and treating lead-based paint may be undertaken under this category whether alone or in conjunction with other rehabilitation.
- Rehabilitation services – Staff costs and related expenses required for outreach efforts for marketing the program, rehabilitation counseling, screening potential applicant households and structures, energy auditing, preparing work specifications, loan underwriting and processing, inspections, and other services related to assisting owners, tenants, contractors, and other entities who are participating or seeking to participate in rehabilitation activities under this categories.

*Rehabilitation does **not** include:*

- Creation of a secondary housing unit attached to a primary unit;
- Installation of luxury items, such as a swimming pool;
- Costs of equipment, furnishings, or other personal property not an integral structural fixture, such as:
    - a window air conditioner; or
    - a washer or dryer (but a stove or refrigerator is allowed); or
- Labor costs for homeowners to rehabilitate their own property.

<u>Examples of Rehabilitation, with Matrix codes</u>

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

## Economic Development

CDBG funds may be used to finance the costs of rehabilitation of commercial or industrial property. Where such property is owned by a for-profit, rehabilitation under this category is limited to exterior improvements of the building and the correction of code violations. (Further improvements for such buildings may qualify under the category of Special Economic Development Activities.)

*Eligible types of assistance*

- Costs – Costs of labor, materials, supplies and other expenses required for the rehabilitation of property, including repair or replacement of principal fixtures and components of existing structures (e.g., the heating system).
- Security devices – Installation costs of sprinkler systems, smoke detectors and dead bolt locks, and other devices for security purposes.
- Conservation – Costs required to increase the efficient use of water (e.g., water saving faucets) and improvements to increase the efficient use of energy in structures through such means as installation of storm windows and doors, insulation, and modification or replacement of heating and cooling equipment.
- Tools – Costs of acquiring tools to be lent to owners, tenants and others who will use the tools to carry out rehabilitation.
- Barrier removal – Costs to remove material and architectural barriers that restrict the mobility and accessibility of elderly and severely disabled persons to buildings and improvements that are eligible for rehabilitation under this category.
- Landscaping, sidewalks, and driveways – The costs of installation or replacement of landscape materials, sidewalks, and driveways *when incidental to other rehabilitation of the property*.
- Renovation of closed buildings – The conversion of a closed building from one use to another (e.g., the renovation of a closed school building to residential use).
- Historic preservation – This category also authorizes the costs of preserving or restoring properties of historic significance, whether privately- or publicly-owned, except that buildings for the general conduct of government may not be restored or preserved with CDBG assistance.
- Lead-based paint hazard evaluation and reduction – The costs of evaluating and treating lead-based paint may be undertaken under this category whether alone or in conjunction with other rehabilitation.
- Rehabilitation services – Staff costs and related expenses required for outreach efforts for marketing the program, rehabilitation counseling, screening potential applicant households and structures, energy auditing, preparing work specifications, loan underwriting and processing, inspections, and other services related to assisting owners, tenants, contractors, and other entities who are participating or seeking to participate in rehabilitation activities under this categories.

*Rehabilitation does **not** include:*

- Installation of luxury items;
- Costs of equipment, furnishings, or other personal property not an integral structural fixture, such as:
    - a window air conditioner.
- Labor costs for business owners to rehabilitate their own property.

<u>Examples of Rehabilitation, with Matrix codes</u>

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

**Special Economic Development Activities**

CDBG funds may be used for the following special economic development activities, given that there is sufficient public benefit to warrant assistance:

- ✓ Commercial or industrial improvements carried out by the grantee or a nonprofit recipient, including:
  - o Acquisition,
  - o Construction,
  - o Rehabilitation,
  - o Reconstruction, or
  - o Installation

  of commercial or industrial buildings or structures and other related real property equipment and improvements.
- ✓ Assistance to private for-profit entities for an activity determined by the City to be appropriate to carry out an economic development project. This assistance may include, but is not limited to:
  - o Grants;
  - o Loans;
  - o Loan guarantees;
  - o Interest supplements;
  - o Technical assistance; or
  - o Any other form except for those described as ineligible in 570.207(a), such as political activities.

  Under this type of assistance, the grantee shall minimize, to the extent practical, displacement of existing businesses and jobs in neighborhoods.
- ✓ Economic development services in connection with the above subcategories, including outreach efforts to market available forms of assistance, screening of applicants, reviewing and underwriting applications for assistance, preparation of agreements, management of assisted activities, and the screening, referral and placement of applicants for employment opportunities generated by CDBG-eligible economic development activities. The costs of providing necessary job training for persons filling those positions may also be provided.

Special economic development activities may include:

- Construction of a business incubator designed to provide inexpensive space and assistance to new firms to help them become viable businesses,
- Loans to pay for the expansion of a factory or commercial business,
- Technical assistance to a business facing bankruptcy, and

Special economic development activities do *not* include:

- Assistance to a for-profit business in the form of lobbying or other political activities.
- New Housing Construction. When a project to be assisted includes new construction of housing as part of a commercial structure (e.g., a “mixed use” project), those costs clearly attributable to the commercial portion of the project may be eligible as a special economic development activity.
- Planning for economic development projects, including conducting market surveys to determine an appropriate type of business to attempt to attract to a particular area, developing individual commercial or industrial project plans, and identifying actions to implement those plans.
- Job training, unless part of a CDBG-eligible economic development activity that will create or retain permanent jobs. Such other training may be eligible under the categories of Public Services.

Relevant Matrix Codes

| | | |
|---|---|---|
| *17B CI: Infrastructure Development* | 18A ED: Direct Financial Assistance to For-Profits | 18B ED: Technical Assistance |

**Microenterprise Assistance**

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

This category authorizes the use of CDBG funds to provide financial assistance of virtually any kind to an existing microenterprise or to assist in the establishment of a microenterprise. It also authorizes the provision of:

- ✓ Technical assistance to a new or existing microenterprise or to persons developing a microenterprise, and
- ✓ General support to owners of microenterprises or to persons developing a microenterprise

Note that under the subcategory of “general support,” CDBG funds may be used to provide services of any kind that may be needed by the owner of or person developing a microenterprise to enable the establishment, stabilization, or expansion of the business. This could include, for example, child care, transportation, counseling, and peer support programs. Any such services provided under this authority are not subject to the cap on public services regardless of the entity providing the service.

Relevant Matrix Code

| |
|---|
| *18C ED: Micro-Enterprise Assistance* |

## Acquisition, Disposition, Clearance, & Relocation

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

More specifically, CDBG funds may be used under this category by:

- ✓ The grantee,
- ✓ Any other public agency,
- ✓ A public nonprofit entity, or
- ✓ A private nonprofit entity

to acquire real property for any public purpose. This authority is subject to the limitations which would preclude the acquisition cost attributable to a building to be used for the general conduct of government and which would preclude the acquisition of property to be used for political activities.

Real property to be acquired may be:

- Land,
- Air rights,
- Easements,
- Water rights,
- Rights-of-way,
- Buildings and other real property improvements, or
- Other interests in the real property

Costs that may be paid for with CDBG funds under this category include the cost of surveys to identify the property to be acquired, appraisals, the preparation of legal documents, recordation fees, and other costs that are necessary to effect the acquisition.

<u>Relevant Matrix Code</u>

| |
|---|
| *01 Acquisition of Real Property* |

**Disposition**

Under this category, CDBG funds may be used to pay costs incidental to disposing of real property acquired with CDBG funds, including its disposition at less than fair market value, provided the property will be used to meet a national objective of the CDBG program.

The property may be disposed of through:

- ✓ Sale,
- ✓ Lease,
- ✓ Donation, or
- ✓ Otherwise.

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

Disposition costs include preparation for legal documents, as well as fees paid for:

- Appraisals,
- Surveys,
- Marketing,
- Financial services, and
- Transfer taxes and other costs involved in the transfer of ownership of property

Care should be taken to avoid spending CDBG funds to manage properties for which there are no plans for disposition in the near future or where the market is such that it is not likely to be sold in the near future.

Relevant Matrix Code

| |
|---|
| *02 Disposition of Real Property* |

**Clearance**

Under this category, CDBG funds may be used for:

- Demolition of buildings and improvements;
- Removal of demolition products (rubble) and other debris;
- Physical removal of environmental contaminants or treatment of such contaminants to render them harmless; and
- Movement of structures to other sites

Relevant Matrix Codes

| | |
|---|---|
| 04 Clearance and Demolition | 04A Cleanup of Contaminated Sites |

**Relocation**

CDBG funds may be used for relocation payments and assistance to displaced persons, including:

- Individuals,
- Families,
- Businesses,
- Non-profit organizations, and
- Farms.

CDBG activities that involve displacement or relocation (temporary or permanent) or which involve the demolition or conversion of residential units occupied by low-income households must comply with the requirements of the *Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970* (URA).

Under URA, grantees must minimize the displacement/relocation of persons. When relocation is needed, grantees must provide reasonable opportunity to lease and occupy a suitable, decent, safe, sanitary and affordable replacement dwelling. The grantee must also ensure that proper funds are available to comply with relocation regulations.

All households participating in any CDBG funded program/project who may be eligible for relocation benefits must have their relocation rights explained.

Relevant Matrix Code

| |
|---|
| *08 Relocation* |

## Loss of Rental Income

CDBG funds may be used to pay housing owners for the loss of rental income incurred in holding, for temporary periods, housing units to be used for the relocation of individuals and families displaced by CDBG-assisted activities.

The statutory requirements concerning displacement require certain replacement housing to be made available to displaces. If the displaced household requires a type of housing unit that is scarce in that community, it may be necessary for the grantee to have an existing, available unit held open for the household for a short period until the displacement actually occurs.

# Limitations of CDBG Funding

**The following activities may not be assisted with CDBG funds:**

1. Buildings for the general conduct of government. This includes operating and maintenance expenses. Exceptions are operation and maintenance associated with public service activities, interim assistance, and CDBG program staff.
2. General government expenses except to carry out the CDBG program.
3. Political or religious activities.
4. Construction equipment.
5. Fire protection equipment unless part of a public facility.
6. Personal furnishing or property.
7. Food not related to direct service delivery to clients.
8. Furnishings that are not integral structural fixtures.
9. New housing construction except for land acquisition and other specific circumstances.
10. Income payments and other subsistence payments made to individuals or a family.

**Funding requests from faith-based organizations**

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

1. Organizations may not use direct HUD funds to support inherently religious activities such as worship, religious instruction, or proselytization. Faith-based organizations may use HUD funds to support non-religious social services that are separate in time or location from their inherently religious activities.

2. Faith-based organizations, like all organizations implementing HUD-funded programs, must serve all eligible beneficiaries without regard to religion. Faithbased organizations may not require participants in your attend or take part in any religious activities. Faith-based organizations may invite participants to religious activities that take place at a different time or location, but these participants must be reassured that their decision to participate or not will affect their ability to receive the service you are providing with HUD funds.

3. Faith-based materials, supplies, literature may not be acquired with HUD funds.

4. Faith-based organization may use HUD funds to pay the salary to staff or members of a faith-based organization provided that the staff or members do not engage in religious activities while being paid with public dollars.

The complete guidelines can be found at:

http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_15282.pdf

**Public Service Cap**

HUD regulations place a cap on the amount an entitlement agency may allocate towards Public Service programs. This means the City, as an entitlement agency, can only allocate that portion each year towards public services. All public services must be provided to low or moderate-income residents of the City Of Providence.

# Fiscal Policies & Procedures

# Fiscal Policies & Procedures

Subrecipients of CDBG funds must ensure that they are in compliance with all applicable fiscal and administrative requirements issued by the City of Providence and the federal government.

These requirements are detailed in the following pages.

All agencies awarded CDBG funds must be in compliance with the following:

- OMB A-122 – Office of Management and Budget Circular A-122 discusses the rules for cost principals. These are the rules that non-profit agencies using federal funds must abide by when purchasing goods or services;
- OMB A-133 – Office of Management and Budget Circular A-133, discusses auditing rules for all agencies using federal funds. Effective December 31, 2003, the threshold for an A-133 audit was raised to $500,000 in federal funding expenditures;
- 24 CFR Part 84 – Code of Federal Regulations that govern non-profit agencies using federal funds; &
- 24 CFR Part 570 – Code of Federal Regulations that govern CDBG funds.

Definitions:

- Accrued – term used to show expenses incurred in a prior fiscal year that are paid in the current fiscal year, but are charged back to the year in which the expenditures pertained.
- Allowability – term indicating whether an expense is eligible for the program and/or funding source.
- Allocability – cost may be charged to a federal award if it is a specific benefit to the program.
- Budget – A plan of action expressed in financial terms.
- Expenditures – term used to describe funds spent.
- Obligations – funds set aside for specific purposes and/or items.
- Outlay – funds used by the agency to pay for goods and services prior to being reimbursed.
- Program income – funds earned by the agency in a CDBG funded program or facility. Typically, these funds are in the form of fees for services.
- Resources – funds used by the agency.

**Board of Director Responsibilities**

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

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

provided services, representatives from community organizations interested in the services, and users of the services.

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

**Administrative Oversight**

Subrecipient's Administrative/Program Staff responsibilities include:

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

Subrecipient Finance Officer Responsibilities include:

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

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

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

Internal Controls

Agencies receiving CDBG funding shall have:

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

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

- An organization plan that safeguards resources by segregating duties;
- A system of authorization and recording procedures that provides effective accounting control over assets, liabilities, revenues, and expenses;
- An established system of procedures followed by each organizational component in performing its duties and functions;
- Personnel capable of performing their responsibilities; and
- An effective system of internal reviews.

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

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

## Recordkeeping

To ensure eligibility of costs, subrecipient files shall include copies of:

- CDBG application,
- Agreement with the City,
- Procurement and bid information (for all purchases),
- Contracts with vendors,
- Up to date budget (including copies of budget change requests),
- Expenditure and payment information including supporting documentation,
- Characteristics and location of clients served,
- Program status and progress reports,
- Audits,
- Monitoring reports, and
- Other relevant correspondence.

Record Retention Policy

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

Access to Records

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

Information may be provided utilizing aggregate statistics. All clients may be lumped into categories, but no personal information may be released. For example, a report may state: 150 clients served this month, 60 Caucasian, 60 African American, 15 Native Americans, 15 Asian. Of those clients, 25 were female head of household, 30 were Veterans, 100 were very low income, and 50 were moderate income.

Accounting Records

Financial record keeping is one of the primary areas subject to HUD reviews and one which, if inadequate, can lead to serious problems and the possible recapture of funds. Accounting systems shall provide reliable, complete, and up to date information about sources and uses of funds.

These are the financial information and records that must be maintained by the agency:

- A computer accounting system that records the source of income and categorizes expenses for grant activities.
- Written accounting procedures, chart of accounts, written internal controls, administrative controls, accounting journals and ledgers;

- Payment requests and source documentation (bills, receipts, copies or cancelled checks, etc.);
- Comparison of actual checks written with budgeted amounts for each grant;
- Written procedures for determining what's reasonable and allowable under OMB circulars for costs and activities;
- Procurement files (bids, contracts, etc.) and real property inventory;
- Bank account and payroll records; &
- Financial statements, correspondence and audit files.

Records pertaining to CDBG activities shall be kept separately, keeping control over all grant funds, property/equipment, and other assets purchased with CDBG funds. A separate fund should be kept for all grant income and expenses.

Maintenance of Records

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 the following elements:

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

determination of the actual activity of each employee. Reports must be signed by the individual employee, and by a responsible supervisory official having firsthand knowledge of the activities performed by the employees. Further, the proposed distribution of activity should represent a reasonable estimate of the actual work performed by the employee during periods covered by the award.

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

Hours worked on the grant must be indicated on the report with proper documentation—time cards and/or time to project logs are required. Employees must keep track of time spent working on CDBG related activities during the work day. CDBG funds may only be used to reimburse eligible activities which benefit moderate and low income City Of Providence residents.

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

# Budgeting

Sources and Uses of Funds

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

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

Budget Controls

All Subrecipients are required to submit a proposed program budget when making an application for funding. Once the application process has been completed, an up to date and accurate program budget must be created and submitted to the Division of Community Development for approval and inclusion in the Subrecipient Agreement.

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

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

Budget Categories

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

There are typically 5 cost categories within a general budget:

**Non-Administrative Personnel Costs**

- Personnel - Costs associated with the positions identified on the Staffing Plan and can only be those staff which work directly on the grant. Costs should reflect the actual amount of time each position spends on the program.
- Fringe Benefits - Eligible payroll-related costs of health insurance, retirement fund contributions, FICA, Worker's Compensation, and other payments made on the behalf of the employee.
- Support of staff to perform purely Administrative functions is not eligible (i.e. Time Director spends fundraising).
- Federal funds cannot be used to pay for 100% of an Executive Director's salary. Please ensure that when receiving multiple funding sources this threshold is not exceeded.
- IRS employee rules must be applied before determining an employee's status or non status. People who work for the agency are employees, people who provide training, consulting or are officers of the non-profit are not and cannot be employees of the agency. This is considered a conflict of interest. Employees must have all the pertinent federal deductions and taxes paid.

**Non-Administrative Office Costs**

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

**General Non-Personnel Costs**

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

- No costs which may be considered as entertainment in nature will be reimbursed with CDBG funds. Awards ceremonies, banquets, holiday events, trophies, plaques, amusement park field trips, etc. are not an allowable expense. Please contact the assigned GPC for further guidance on this issue prior to planning or expending CDBG funds.

**Capital Assets/Equipment/Computers**

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

**Improvement/Acquisition Costs**

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

**Budget Revisions**

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

To implement a budget modification the Subrecipient must submit a written request, which identifies the reasons for the adjustment. The request must be specific as to which line items are to be increased and which are to be reduced and must be specifically approved by the City in writing as a change to the written agreement or contract between the City and the Subrecipient.

The Director of the City of Providence Division of Community Development has the authority to grant or deny requests for budget revisions.

## Allowable Costs

The standards for determining the reasonableness, allowability, and allocability of costs incurred as part of CDBG-financed activities are found in OMB Circular A-122 for non-profits Subrecipients. According to basic guidelines contained within the OMB Circulars, a cost is allowable under the CDBG program if it meets all other regulations and:

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

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

- Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization in the performance of the award;
- 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; and
- Significant deviations from the established practices of the organization which may unjustifiably increase the award costs.

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

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

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

## Audits

The agreement with the City may be subject to an OMB A-133 Audit, a CPA Audited Financial Statement or a Certified Financial Statement (CFA), depending on expenditures. Other requirements may include OMB Circular No. A-110 "Grants and Agreements with Institutions of Higher Education, Hospitals, and other Non-Profit Organizations" and its relevant attachments "A" through "O"; and Circular A-122, entitled "Cost Principles for Non-Profit Organizations."

The Office of Management and Budget requires that grant recipients who expend $500,000 or more in federal funds in one fiscal year conduct an A-133 audit pursuant to the Single Audit Act. Subrecipients are responsible for ensuring that their auditors conduct the proper type of audit. Not all Certified Public Accountants (CPA's) are qualified to perform an A-133 audit.

Any agency that expends between $200,000 - $499,999 in federal funds will be required to have a CPA Audited Financial Statement. The funds expended may be from one or multiple federal sources. If allowable by program regulations, the City may only pay for the portion of the audit, which represents the percentage of City federal funds in the program budget.

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

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

<u>Audit Due Date</u>

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

- Certified Annual Financial Statements are due three (3) months after the end of the fiscal year;
- CPA conducted audits are due six (6) months after the end of the fiscal year, and
- A-133 Audits are due nine (9) months after the end of the fiscal year.

All Subrecipients who fall under the requirements of OMB A-133 Auditing rules must submit a full and complete copy of such audits to the Division of Community Development. It is the responsibility of the subrecipient to ensure that audits are completed in a proper and timely manner.

Failure to submit copies of the A-133 Audit will render the subrecipient as non-compliant. This means that no funds may be drawn until the City of Providence Division of Community Development has received and reviewed the copy of the audit.

City Internal Audit Reviews

The City reserves the right to have its Internal Audit Division review all subrecipient records and transactions. Audit findings resulting in monetary repayment to the City will be collected by the City from the Subrecipient's non-federal funded resources. City Internal Auditors review DCD'S subrecipient monitoring/account reviews to begin their single audit reviews. Reports containing findings are then sent to both the DCD and the subrecipient for compliance. Progress on the compliance is also monitored. Failure to rectify findings within the given time frame may result in suspension, termination of grant agreement, and/or disbarment from future grant funding.

Source Documentation

The general standard is that all accounting records must be supported by source documentation. This is necessary to show that the costs charged against CDBG funds were incurred during the effective period of the Subrecipient's agreement with the City, were actually paid out, were expended on allowable items, and had been approved by the responsible officials in the subrecipient organization.

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

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

All source documentation does not have to be located in the CDBG project files, but it must be readily available for review by the City, HUD or other authorized representatives at all times. Please be aware that by accepting CDBG funds your organization records as a whole are open for review. Subrecipients shall develop and maintain a central filing system. This will ensure that audits and monitoring visits go smoothly, and documentation is readily accessible.

In the simplest terms, financial transactions involve writing checks, and receiving reimbursement for eligible activities. Every grant related financial transaction must be recorded immediately in the accounting system.

Source documents, such as invoices or time cards, should provide all details of each transaction or activity. The information contained in the source documents is necessary for accounting purposes, and should be recorded in the computer accounting/accounts payable system. The source documents must be readily accessible during monitoring visits.

A variety of source documents and records are needed to properly account for grant transactions. These documents include but are not limited to the following:

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

## Program Income

Interest earned on federal grant funds must be reported to the City monthly as Program Income; and must be used in the operation of the specific grant program.

Organizations providing services funded through a City Of Providence CDBG grant may charge fees to clients to reduce the costs of service delivery. Such fees, or any other earnings generated through the use of CDBG funds, are considered to be program income (PI). PI includes, but is not limited to, fees charged for services, proceeds from the sale of tangible personal or real property, usage or rental fees, and patent or copyright royalties.

Program income shall be recorded separately and returned to the City for disposition. Upon approval by the City, income from the Project may be retained by subrecipient provided that written notification is given to the Division of Community Development Director and that the income is to be used for the exclusive benefit of the Program. Such income will be subject to guidelines for use of such income in accordance with HUD regulations.

All PI must be reported. A total amount under $100 may be reported quarterly rather than in the month in which it is collected.

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

## Monthly Reimbursements

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

A Request for Payment shall include:

- Requisition Form (Detailing request)
- Letter Requesting Funds on Signed Letterhead
- Timesheets & Certified Payrolls*
- Receipts/Copies of Bills*

**The amount charged to CDBG must be broken out on these documents. Personnel time charged to CDBG MUST be based on ACTUAL time WORKED.*

Please review the request documentation and amounts prior to submission, the city cannot reimburse for taxes, or items or services paid for prior to the beginning of the contract, or after the end of the program year.

Spending Requirements

CDBG funds must be spent in a timely manner. Unless an alternative spending plan has been approved in writing by DCD, funds must be expended in the following manner:

- Public Service/Planning Activities: 100% by end of Program Year (June 30th)
- Improvements/Construction Activities: 100% by December 31st of the Following Year

Request for Funds submitted by July 10th for the fiscal year the funds are awarded.

Unspent funds cannot be carried forward and are forfeited. Reminder: Sales tax will not be reimbursed.

Backup Documentation Required for Reimbursement Requests

CDBG funds are paid to agencies on a reimbursement basis. Therefore, it is extremely important to verify the eligibility of an expense prior to expending your funds. Accuracy of submittals is important as errors slow down the process.

When at all possible, do not use cash, as this does not provide a proper audit trail. When submitting a large payment request, please highlight the portions requested to be paid by the city in addition to utilizing either an excel spreadsheet or adding machine tape.

In order for the city to reimburse the agency, documentation must be submitted to show who, what, when, and how the invoice was paid. Only copies of paid invoices which must be marked paid will be accepted. A quote or order form will not be accepted. In addition to the paid invoice, proof of payment must be kept onsite with the Subrecipient. For invoices paid by credit card, submit a copy of the statement showing the invoice was paid.

Please highlight the amount paid on the receipt, and the reimbursable portion. Keep in mind when charging a percentage, the percentage of participants who are low-income City Of Providence residents must be documented. To do this, provide a copy of the client roster, with their addresses and highlight the city residents. This permits verification of the percentage.

Copies must be legible, please do not send the originals, as they are needed for your files. Receipts cannot be dated prior to the beginning of the program year (July 1st) or after the end of the program year (June 30th).

If requesting payroll reimbursement, copies of certified payrolls must be submitted. Timesheets must be kept onsite as backup.

Successful Completion of Request for Payment Form

The Request for Funds has several sections that must be filled out.

- Section I: Request #'s should be sequential, Amount of Request should match the Request amount at the bottom of the form, and the Period Covered should reflect the month in which the funds were spent. Please use the beginning of the month through the end of the month, i.e. 1/1/XXXX – 1/31/XXXX.

- Section II: Please make and highlight any corrections to the Agency information contained in this area; it is important that our information is current.

- Section III: Budgeted Amount, please do not change the amounts in the columns without receiving a budget amendment approval. Request Amount should match the receipts and/or other documentation submitted. Previous Drawdowns should match the last request and subsequent payment submitted to the city. Remaining Funds should be the total after subtracting the Request Amount and Previous Drawdowns.

- Section IV: Signature and Date line. Please sign and date the Request for Funds for submittal.

Mileage and Travel

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

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

- Mileage: The Subrecipient shall submit written mileage records identifying the driver of the vehicle, the number of miles driven on each day, and the purpose of the trip. The Subrecipient shall certify the accuracy of the information reported. Travel to and from work is not an eligible expense for mileage reimbursement.

- Travel: Reimbursable costs include conferences, lodging, food, and other non-mileage costs. DCD policy requires that all travel costs be kept to a minimum. Supporting documentation must be provided with all requests for travel reimbursement.

  a) Local Travel: Defined as travel within Rhode Island.

  b) Out-of-State Travel: Approval for out-of-state travel must be requested in writing from the City's DCD Manager at least 10 working days prior to the trip. The DCD Coordinator will review the request and provide a response within five (5) working days.

Telephone Expenses

The CDBG program will reimburse only those reasonable costs for local and non-local telephone calls necessary to carry out the services identified in the Subrecipient's Agreement with the City. Actual costs of phone calls and the monthly cost of supporting the phone system are eligible for reimbursement. Such expenses include equipment rental or lease and monthly service charges. All international calls must be documented with a description of the purpose of the call and its relationship to program activities. The City will not reimburse personal calls.

Exceptions: Personal phone calls are not reimbursable. In addition, calls made for the purpose of raising funds are not eligible for reimbursement.

Pro-rating of Expenses: If the program receives funding from several sources, only those telephone expenses solely related to the that portion of the activity which is funded out of the Subrecipient's CDBG grant are reimbursable. All such costs must be specifically identified to the City's satisfaction.

Additionally, if the amount of the Subrecipient's CDBG grant is less than the program total budget, phone costs are reimbursable at a percentage equal to the level of CDBG funding as compared to total program funding.

## Purchasing and Contracting

A price or cost analysis must be made in connection with every procurement action. Price analysis involves comparing the bottom line price quoted, with typical prices paid for the same or similar materials or services (does not apply to sole source contracts). Cost analysis means you obtain the best price with the best service. Typically a minimum of three bids, quotes, or estimates, is required.

**Subrecipients must meet with the DCD staff to schedule pre-bid and preconstruction meetings and to discuss the compliance process.** By contacting, informing, and including DPD staff from the beginning of your project, you can ensure full compliance with all rules and a smoother contract management process.

*Purchasing– supplies and materials*

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

Construction – capital improvements, rehabilitation and ADA improvements

- $0 to $1,999 – Written specifications are necessary and three written bids are required.
- $2,000 to $49,999 – Written specifications (and plans where appropriate) are necessary. Three (3) written bids must be acquired and Davis/Bacon wage provisions apply.
- $50,000 and over – Written plans and specifications are required for all work in this category. Three (3) written bids must be acquired and Davis/Bacon wage provisions apply. The project must be advertised in the local paper of general circulation a minimum of two weeks prior to the receipt of bids.

*Consulting and A/E Services*

- $0 to $19,999 – Three written estimates and a scope of services is required
- $20,000 and over – A written scope of services and an RFP must be prepared and advertised in the local paper of general circulation a minimum of two weeks before the proposals are due.

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

The agency may make the determination that competition is not feasible if one of the following circumstances exists:

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

Subcontracts

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

Provisions Required in Subcontracts

1. Name, address, phone number and social security number of subcontractor.
2. A termination clause requiring twenty days notice by which either party may terminate the agreement.
3. A City uninvolvement clause releasing the City from any liability for any breach of the subcontract by either party.
4. A scope of services.
5. The total dollar amount of the subcontract.
6. A termination date no later than the end of the current CDBG program year.
7. A clause requiring the contractor to comply with stated “Conditions of Federal Funding”.
8. An independent contractor clause stating that the subcontractor is an independent contractor or employee of the Subrecipient. Subcontractor is not an agent or employee of the City, and as such waives any claims to any rights or benefits which accrue to employees of the City.
9. Signature of person authorized by Subrecipient’s Board of Directors to execute agreements.
10. Signature of person authorized by subcontractor to execute agreements.

Review of Subcontracts by City

All Subrecipients awarded funds for the 2013-14 program year (in future years will apply only to Subrecipients receiving their first year of CDBG funds) must submit all subcontracts valued at more than $500 to the City for review and approval prior to execution.

Subrecipients in the second year of CDBG funding are required to obtain prior review and city approval only when the value of the subcontract exceeds 10% of its CDBG grant or $10,000, whichever is less.

All subcontracts requiring review and approval by the City must be submitted at least 10 business days prior to an effective date. The GPC will typically respond to the request for approval within 7 working days. Subcontracts must be approved prior to execution by any of the parties.

Required Subcontract Documentation

The Subrecipient shall maintain the following documentation in its files:

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

Types of Subcontracts Covered Under This Section

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

Codes of Conduct

The recipient shall maintain written standards of conduct governing the performance of its employees engaged in the award and administration of contracts.

No employee, officer, or agent shall participate in the selection, award, or administration of a contract supported by Federal Funds if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, officer, or agent, any immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in the firm selected for an award. The officers, employees, and agents of the recipient shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, or parties to subagreements. However, recipients may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. The standards of conduct shall provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the recipient.

## Equipment Procurement

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

Under HUD regulations, the purchase of equipment, fixtures, or furnishings that are not an integral structural fixture is ineligible except when necessary for use by the City or a Subrecipient in the administration of the overall City CDBG grant or as part of the administration of a public service program. The City does not allow for purchase of vehicles with CDBG funds, unless explicitly approved in writing beforehand.

Notification Requirements

All purchases of equipment require prior City approval. Requests to purchase equipment are to be sent to the GPC 45 days prior to the purchase order date. Exceptions may be granted on a case by case basis. The request is to include the cost of the item, where it will be purchased, a detailed explanation of why it should be bought rather than leased or rented, and where the funds for the purchase will come from. If City CDBG funds will only be paying a portion of the purchase, list other funding sources and the respective amounts. The GPC will typically review the request and issue a decision within 10 working days. Rationale for a negative decision will be included in the response.

Reversion to City/HUD

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

Inventory Instructions

1. Agency - Name of Agency receiving grant.
2. Description - A brief description of the item of property.
3. Manufacturer's Serial Number - Provide the manufacturer's serial number for all items.
4. Title or Owner - Name of Agency on property's title.
5. Acquisition Date - Date of Purchase.
6. Percentage of Federal Participation - Portion paid by CDBG funds.
7. Cost - Supply the actual purchase price.
8. Disposal Date - Date sold or disposed of.

# Program Policies & Procedures

## Reporting

Subrecipients are required to submit quarterly reports as described in each contract. Subrecipients must report quarterly the number of clients served, including their incomes, race/ethnicity, and status of head of household.

Data must be unduplicated; i.e., a client receiving service three times should on appear once on the quarterly report, and that client also should not appear again on any following quarterly report during the program year.

If you have not fully expended your grant funds by June 30, and you provide assistance in the new grant year to a client who was assisted prior to June 30, that client should then appear again on your quarterly report.

Quarterly reports are due no later than the 15th of the month even if a request for payment has not been submitted.

The quarterly status report explains the progress the program has made in relation to the goals and performance indicators outlined in the Agreement Scope of Work. The quarterly report must be submitted on the form provided by DCD, unless approved in writing, in advance. No other format will be accepted. Failure to submit quarterly reports may result in delayed reimbursements.

Program Client Demographics: (Race/Ethnicity and Income Level Section)

- Data should be recorded for all unduplicated clients obtaining services in the program.
- Total client count for the Race and Income sections should equal the total client count.

HUD has implemented a ten category race and with one ethnicity reporting system. This means that you are to report on race first and Hispanic Ethnicity second. This area sometimes causes confusion, as HUD does not consider Hispanic to be a separate race category. Therefore, a client may be White and Hispanic, Black and Hispanic, or any Other Multi Racial and Hispanic. * Some Hispanic clients will state that they are Hispanic, but refuse to select a race category. In that case, HUD has said that the staff person doing the intake should mark on the form their best guess as to the race of the client.

Please double check your quarterly information for accuracy.

The client income for the unduplicated CLV quarterly clients served is reported in one of three categories – Extremely Low (EL), Very Low (EL) and Moderate (M). Income Guidelines are updated annually, Subrecipients are responsible for ensuring you are using the correct information.

Closeout Reports

Programmatic close-out will consist of, but will not be limited to, the following:

- Review and verification of annual client statistical and narrative report due 15 days after the end of the program year - July 15th. Your June report with year-to-date client totals, along with a program narrative will suffice.
- Review of subrecipient record keeping system, including, but not limited to:
  - Activity documentation
  - Personnel files
  - Inventory control files
  - Evaluation of activity and program accomplishment

Financial close-out will consist of, but will not be limited to the following:

- Review and verification of information submitted in the final drawdown request.
- Review of subrecipient record keeping system:
  - Accounting records and ledgers
  - Source documentation (invoices, time cards, canceled checks, etc.)
  - Budget documentation (modifications, etc.)
  - Equipment purchases
- Evaluation of activity financial accomplishment

# Demonstrating Client Eligibility

In order for a project or program to be eligible to receive Community Development Block Grant (CDBG) funds, at least 51% of the participants or recipients must have income that is less than 80% of median income.

- Low and moderate income household means a household having an income equal to or less than the Section 8 low income limit (80%) established by HUD, adjusted for family size.
- A very low income household mans a household having an income equal to or less than the Section 8 very low income limit (50%) established by HUD, adjusted for family size.
- An extremely low income household means a household whose income is 30 percent or less of the area median income, adjusted for family size.

| **FY 2014 Income Limits*** | | **Household Size** | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Very Low Income | 30% of AMI | 15,200 | 17,350 | 19,500 | 21,650 | 23,400 | 25,150 | 26,850 | 28,600 |
| Low Income | 50% of AMI | 25,300 | 28,900 | 32,500 | 36,100 | 39,000 | 41,900 | 44,800 | 47,700 |
| Moderate Income | 80% of AMI | 40,450 | 46,200 | 52,000 | 57,750 | 62,400 | 67,000 | 71,650 | 76,250 |

- **Income Limits are updated annually. Subrecipients are responsible for ensuring they are using the most current income limit.*

Beneficiaries must demonstrate to the Subrecipient that they meet the income requirements through 3rd party documentation whenever possible (paystubs, benefit letters, etc).

When 3rd party verification is not possible, a client may sign a certification indicating their income. A sample certification is included below:

**Client Certification of Income and Household Size**

The program under which you are receiving assistance utilizes City of Providence Division of Community Development HUD funds. In accordance with the federal regulations governing the use of these funds, please supply the information requested below. This information is confidential and only for use by the public agencies providing this funding.

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

Additionally, all applicants shall sign certify to the following:

APPLICANT CERTIFICATION

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

## Client Documentation & Records

Each Subrecipient is required to maintain documentation on clients benefiting from activities and programs funded through the City's CDBG program. As a condition of receiving the HUD grant, the City, and in turn the Subrecipient, must certify that low- and moderate-income persons are being served. HUD also requires information on the race and ethnic background of the clients, how many are female heads of households, their residency in the City, and how many are very- low income. City DCD staff and HUD must also have access to the names and addresses of the clients. Any information regarding applicants for services funded through federal monies shall be held in strict confidence.

1. Required Documentation

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

a. Client name and address;

b. Gender;

c. Ethnicity/race;

d. Head of household status;

e. Income.

f. Languages Spoken.

<u>Exceptions to Maintaining Required Income Documentation</u>

Income documentation is not required for the following client types:

1. Clients of a battered women's shelter.

2. Seniors 62 years of age and older.

3. Persons with recognized disabilities.

All other documentation is required.

## File Organization and Maintenance

Subrecipients should structure their project/program files and other records to comply with the general requirements as discussed in this manual. In setting up a program or client file, the following may be helpful:

**Program file should contain:**

- Original executed copy of the agreement with the city
- Any amendments to the application and agreement
- Correspondence relating to the grant award
- Copies of Requests for Reimbursement
- Any other information pertinent to the CDBG Grant
- Program measurable goals and expectations

**Client files should contain:**

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

Subrecipients shall adhere to HUD's legal requirement as contained in 24 CFR Part 570 Subpart J, 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 shall be retained beyond the five years. The retention period starts when the annual or final expenditure report has been submitted or, for non-expendable property, from the date of final disposition.

## Conflict of Interest

A Conflict of Interest is a real or seeming incompatibility between a person's private interests and his or her public or fiduciary duties. For the purposes of CDBG, the rule is that no persons who are a (n):

- Employee,
- Agent,
- Consultant,
- Officer,
- Elected official, and/or
- Appointed official

Of the:

- City of Providence
- Subrecipient of CDBG funds (applies to your agency and other CDBG agencies) and/or
- Federal Government

Who:

- Exercise or have exercised any functions or responsibilities with respect to CDBG activities, and/or
- Are in a position to participate in a decision making process or gain inside information with regard to such activities,

Shall not:

- Obtain a financial interest or benefit from a CDBG-assisted activity,
- Have a financial interest in any contract, subcontract, or agreement with respect to a CDBG-assisted activity, or with respect to the proceeds of the CDBG-assisted activity,

Either for themselves or those with **whom they have business or immediate family ties**, during their tenure or for one year thereafter.

Exceptions

Upon the written request of the recipient, HUD may grant an exception to the provisions of this section on a case-by-case basis when it has satisfactorily met the threshold requirements below:

HUD will consider an exception only after the recipient has provided the following documentation:

1. A disclosure of the nature of the conflict, accompanied by an assurance that there has been public disclosure of the conflict and a description of how the public disclosure was made. Typically notification is provided through a Website Posting and Legal Notices in the Providence Journal. AND

2. An opinion of the Subrecipients & City of Providence attorneys that the interest for which the exception is sought would not violate State or local law.

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

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

- Significant cost benefit or essential expertise to project.

- Opportunity for open competitive bidding or negotiation.

- Person affected:

    - Member of low or moderate income class of persons intended to be beneficiaries of the assisted activity.

    - Exception will permit such person to receive same benefits as the class.

- Person affected has withdrawn from his or her functions or responsibilities, or the decision making process with respect to the assisted activity.

- Interest or benefit was present *before* affected person was in the “conflicting” position.

- Undue hardship to subrecipient or person affected when weighed against public interest served by avoiding the prohibited conflict.

- Any other relevant considerations.

Procurement

In the procurement of supplies, equipment, construction, and services by recipients and by Subrecipients, the conflict of interest provisions in 24 CFR 85.36 and CFR 84.42, respectively, shall also apply.

In all cases not governed by 24 CFR 85.36 and 84.42, the provisions of this section shall apply. Such cases include the acquisition and disposition of real property and the provision of assistance by the City of Providence or by its Subrecipients to individuals, businesses, and other private entities under eligible activities that authorize such assistance (e.g., rehabilitation, preservation, and other improvements of private properties or facilities pursuant to § 570.202; or grants, loans, and other assistance to businesses, individuals, and other private entities pursuant to § 570.203, 570.204, 570.455, or 570.703(i) ).

Internal Standards

Subrecipients are responsible for ensuring staff understand and abide by the conflict of interest requirements under CDBG.

Minimally, Subrecipients shall maintain a written code of standards of conduct governing the purchase of materials, product, supplies, services and awarding and administering subrecipient contracts. Personnel involved in the procurement process must be trained to recognize situations that create real, or the appearance of a conflict of interest. The agency personnel should:

1. Be familiar with the agency's code of ethics and potential conflict of interest issues.
2. Not take gifts or gratuities from persons or organizations associated with the procurement process.
3. Assure the proposal evaluators or member of their immediate families do not have financial interest in the companies.

## Religious Activities

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

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

- **Likely Eligible:** A church hosts a weekly soup kitchen in their auditorium. No other activities are hosted in the auditorium. While the building as a whole is a religious institution and volunteers are often members of the congregation, there are no religious requirements or activities surrounding the soup kitchen, and no other activities take place in the auditorium. CDBG funds could thus be used to improve aspects of the auditorium, such as making the entrance of the auditorium handicap accessible.

- **Likely Ineligible:** A church runs a homeless shelter which requires residents to pray daily. This religiously-affiliated homeless shelter would not be eligible for CDBG improvements.

## Political Activities

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

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

Hatch Act, Chapter 15, Title 5 U.S. Code

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

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

Anti-Lobbying

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

## Program Income

Program income shall be recorded separately and returned to the City of Providence for disposition. Upon approval by the City, income from the Project may be retained by subrecipient provided that written notification is given by the Community Development Division Director and that the income is to be used for the exclusive benefit of the Program.

Such income will be subject to guidelines for use of such income in accordance with HUD regulations.

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

## Anti-Discrimination Policies

CDBG Subrecipients are prohibited from discriminating on the basis of:

- Race
- Color
- Religion
- National origin
- Disability Status (Including prior Alcohol & Illegal Substance Addictions)
- Familial status
- Ethnicity
- Gender
- Gender Identity
- Language(s) Spoken
- Literacy
- Sexual Orientation
- Veteran Status

Discrimination is prohibited in delivery of services, program administration, and any enforcement mechanisms.

No person in the United States shall on the ground of race, color, national origin (or any of the other items listed above) be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal funding and/or assistance. Assistance includes:

- Grants and loans of Federal funds,
- The grant or donation of Federal property and interests in property,
- The detail of Federal personnel,
- The sale and lease of, and the permission to use (on other than a casual or transient basis), Federal property or any interest in such property without consideration or at a nominal consideration, or at a consideration which is reduced for the purpose of assisting the recipient, or in recognition of the public interest to be served by such sale or lease to the recipient, and
- Any Federal agreement, arrangement, or other contract which has as one of its purposes the provision of assistance.

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

**Section 109 of Title I of the Housing and Community Development Act of 1974**, as amended (42 U.S.C. 5301 et. seq., particularly 42 U.S.C. 6101 et. seq., and 29 U.S.C. 794): This law mandates that no person on the grounds of race, color, national origin, sex, or religion shall be excluded from participation, denied the benefits of, or otherwise be subject to discrimination under any activity funded in whole or part with CDBG funds.

**Title VI of the Civil Rights Act of 1964** (Public Law 88-352 implemented in 24 CFR Part 1): This law states that no person shall, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.

**Fair Housing Act, Title VIII of the Civil Rights Act of 1968** (Public Law 90-234): The Fair Housing Act prohibits discrimination in housing practices on the basis of race, color, religion, sex, and national origin. The Fair Housing Act was amended in 1988 to provide protections from discrimination in any aspect of the sale or rental of housing for families with children and persons with disabilities. The Fair Housing Act also establishes requirements for the design and construction of new rental or for-sale multi-family housing to ensure a minimum level of accessibility for persons with disabilities.

**Executive Order 11063, as amended by Executive Order 12259** (implemented in 24 CFR Part 107): This order and its implementing regulations require HUD to take all actions necessary to prevent discrimination because of race, color, religion, sex, or national origin in the use, occupancy, sale, leasing, rental, or other disposition of residential property assisted with Federal loans, advances, grants, or contributions.

**The Age Discrimination Act of 1975**, as amended: This law provides that no person shall be excluded from participation, denied program benefits, or subjected to discrimination on the basis of age under any program or activity receiving Federal assistance.

**Section 504 of the Rehabilitation Act of 1973**, as amended (implemented at 24 CFR Part 135): This section specifies that no otherwise qualified individual shall solely by reason of his or her handicap be excluded from participation (including employment), denied program benefits, or subjected to discrimination under any program or activity receiving Federal assistance. Part 8 requires that recipients ensure that their programs are accessible to and usable by persons with disabilities. Part 8 also prohibits recipients from employment discrimination based upon disability.

## Access for Persons with Disabilities

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

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

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

Section 504 Non-Discrimination based on Handicap in Programs Funded by HUD

Subrecipients shall comply with Section 504 of the Rehabilitation Act of 1974, which prohibits discrimination based on handicap in:

- Information,
- Participation,
- Services,
- Housing,
- Employment,
- Building accessibility or
- Any other aspects of a program funded by HUD.

Individuals with Disabilities include persons that are:

1) Mobility impaired;
2) Hearing impaired;
3) Visually impaired;
4) Developmentally disabled; and,
5) Persons who remain in-home or institutionalized care settings.

General Requirements

No qualified individual with disabilities shall, solely on the basis of disability, be excluded from participation in, be denied the benefits of, or otherwise be subjected to discrimination under any program funded by HUD, including CDBG.

Subrecipients may not deny the opportunity, provide less of an opportunity or otherwise limit qualified individuals with disabilities from participating in or receiving services and benefits. This includes participating as a member of the planning or advisory boards or occupying a housing unit provided by the agency'.

Communications

Appropriate auxiliary aids shall be provided where necessary or reasonably requested (e.g. telecommunication devices for deaf persons) for applicants, clients, and employees of the agency. This does not include wheelchairs, hearing aids, or other devices of a personal nature.

Procedures shall be in place to ensure that individuals with disabilities can obtain information on services and their location. This may include the provision of printed materials in Braille, large type, cassette, or disk.

Subrecipients shall provide proper notification (e.g. in brochures and general printed information) to applicants, clients, and employees of the agency, including those with impaired vision or hearing, that the agency does not discriminate based on disability.

The above notifications should include a telecommunications device number for deaf persons (TDD).

Employment

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

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

## Building and Program Accessibility

Subrecipients shall comply with the following requirements:

- **New Construction –** Non-housing facilities shall be designed and constructed to be readily accessible to individuals with disabilities in conformance with the City Of Providence Building Code.

- **Rehab or Alterations -** Rehabilitation of non-housing facilities shall be made to be readily accessible to individuals with disabilities in conformance with the City Of Providence Building Code. Rehab does not include re-roofing, interior decorations, or changes to mechanical systems. However, rehab shall not be performed in such a manner that it reduces accessibility.

- **Existing Non-Housing Facilities -** An agency shall locate and operate each program receiving HUD assistance so the program, when viewed in its entirety, is readily accessible to and usable by individuals with disabilities. An agency may achieve accessibility through methods such as the following:

    - Location of programs or services to accessible facilities or accessible portions of facilities Assignment of aides to assist beneficiaries

    - Home visits

    - The addition or redesign of equipment or furnishings

    - Acquisition or construction of additional facilities

    - Rehab or alterations to facilities on a selective basis.

<u>Additional Requirements Applicable Only to Housing Projects:</u>

- New housing projects shall be designed and constructed to be readily accessible to and usable by individuals with disabilities in conformance with the City Of Providence building code.

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

## Accessibility Self Evaluation

Each subrecipient shall conduct a review and self evaluation of its programs, policies procedures, communications, employment practices, facilities, and other aspect of its programs to determine compliance with regulations concerning accessibility and non-discrimination on the basis of disability. Your GPC will provide one for you to complete and keep as part of your records.

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

All Subrecipients shall:

- Maintain the results of the above self-evaluation on file and make it available for three years.
- Designate an employee to coordinate compliance with HUD disability regulations.
- Adopt grievance procedures for people with disabilities.
- Provide proper notices that the agency does not discriminate based on disability.

## Environmental Standards

According to the National Environmental Policy Act (40 CFR 1500-1508) and Part 58, the subrecipient is required to ensure that environmental information is available before decisions are made and before actions are taken. In order to achieve this objective, Part 58 prohibits the commitment or expenditure of CDBG funds until the City has completed the environmental review process.

- Subrecipient may not spend either public or private funds (CDBG, other Federal or non-Federal funds), or execute a legally binding agreement for property acquisition, rehabilitation, conversion, repair or construction pertaining to a specific site until environmental clearance has been achieved.

- Grantees must avoid any and all actions that would preclude the selection of alternative choices before a final decision is made – that decision being based upon an understanding of the environmental consequences and actions that can protect, restore and enhance the human environment (i.e., the natural, physical, social and economic environment).

- Activities that have physical impacts or which limit the choice of alternatives cannot be undertaken, even with the grantee or other project participant's own funds, prior to obtaining environmental clearance.

For the purposes of the environmental review process, "commitment of funds" includes:

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

- Expenditure of CDBG funds;

- Use of non-CDBG funds on actions that would have an adverse impact--- e.g., demolition, dredging, filling, excavating; and

- Use of non-CDBG funds on actions that would be "choice limiting"--- e.g., acquisition of real property; leasing property; rehabilitation, demolition, construction of buildings or structures; relocating buildings or structures, conversion of land or buildings/structures.

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

Exemptions

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

- Public service activities that will not have a physical impact or result in any physical changes;
- Information and financial services;
- Engineering and design costs;
- Environmental and other studies;
- Inspections and testing of properties for hazards or defects;
- Purchase of tools or insurance;
- Technical assistance or training.

## National Flood Insurance Program

Subrecipients must comply with the Flood Disaster Protection Act of 1973, and the regulations in 44 CFR Parts 59 through 79. The 1973 Act made the purchase of flood insurance mandatory for the protection of property located in Special Flood Hazard Areas.

If a community has had notice for more than a year that an area has been identified by the Federal Emergency Management Agency (FEMA) as having special flood hazards, CDBG funds cannot be spent for acquisition or construction purposes in the area unless the community is participating in the National Flood Insurance Program and such insurance has been purchased for the properties in question.

There is also a statutory prohibition against providing Federal assistance to a person who had previously received Federal flood disaster assistance conditioned on obtaining and maintaining flood insurance and the person failed to obtain and maintain such insurance. (24 CFR 58.6(b)).

## Equal Employment Opportunity

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

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

## Use of Debarred, Suspended, or Ineligible Contractors/Vendors

No Contract shall be made to parties listed on the General Services Administration's List of Parties Excluded from Federal Procurement or Nonprocurement Programs List, found online at:

- https://www.sam.gov/portal/public/SAM/

Subrecipients shall procure in accordance with Executive Orders 12549 and 12689, "Debarment and Suspension," as set forth at 24 CFR part 24.

## Limited English Proficiency Access

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

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

If **25% or more** of a CDBG Activity's service clientele has limited English proficiency and speaks a non-English language, the CDBG Activity must provide key documents translated in that population's language.

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

If CDBG funds are provided for counseling, mental health services, medical services, and/or case management, these services MUST be provided in the client's native language, regardless of the size of the population the provider serves.

## Drug Free Workplace

The subrecipient agrees that it shall comply with the provisions of the Drug-Free Workplace Act of 1988, 24 CFR Part 21, by taking the following steps:

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

A contractor or grantee who fails to comply with these requirements is subject to certain penalties.

# Insurance Requirements

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

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

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

Types of Insurance and Minimum Limits

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

Worker's Compensation written in accordance with the laws of the State of Rhode Island and providing coverage for any and all employees of the Subrecipient in the minimum statutorily required coverage amounts;

Automobile Liability Insurance for each of Subrecipient's vehicles used in the performance of their CDBG Agreement, including owned, non-owned (e.g. owned by Subrecipients employees or contractors), leased or hired vehicles, in the minimum amount of $500,000 combined single limit per occurrence for bodily injury and property damage. This insurance coverage may not be required if vehicle used by the Subrecipient is not a material part of performance of the CDBG Agreement and the Subrecipient receives explicit written approval from the City of Providence.

Comprehensive or Commercial General Liability Insurance coverage in the minimum amount of $1,000,000 combined single limit, including coverage for:

- Bodily injury;
- Personal injury;
- Broad form property damage;
- Contractual liability;
- Cross-liability;
- Professional Liability;
- Workers' Compensation policy written in accordance with the laws of the State of Rhode Island and providing coverage for any and all employees of Subrecipient.

Other Insurance Provisions

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

Endorsements

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

(1) "The City Of Providence, its employees, officers, agents and volunteers are hereby added as additional insureds, but only as respects work done by, for, or on behalf of the named insured under Agreement with the City Of Providence."

(2) "Thirty (30) days prior written notice shall be given to the City Of Providence in the event of cancellation, reduction in coverage, or non-renewal of this policy for whatever reason."

Proof of Coverage

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

Copies of all the required Endorsements listed above shall be attached to the Certificate(s) of Insurance or other evidence of insurance acceptable to the City Of Providence, which shall be provided by Subrecipient’s insurance company as evidence of the stipulated coverage.

This Proof of Coverage shall then be mailed to the City Of Providence at the following address:

City Of Providence
Division of Community Development
444 Westminster, Suite 3A
Providence, RI 02903

## Rights to Inventions Made Under a Contract or Agreement

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

## Clean Air Act and the Federal Water Pollution Control Act

Subrecipients and their contractors/vendors shall comply with the the Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act as amended (33 U.S.C. 1251 et seq.). Violations shall be reported to HUD and the Regional Office of the Environmental Protection Agency (EPA).

# Providence Connects/First Source

Community Development Block Grant (CDBG) Subrecipients' attention is called to the fact that all projects and activities funded in part or whole by CDBG resources are to be executed under the City of Providence, Code of Ordinances §2-169. 1 and 21-91 *et seq.,* entitled "First Source List Established", hereinafter First Source. **All Subrecipients of aid from the City of Providence, when the total amount exceeds $25,000 in one calendar year, are obligated by First Source as a condition of receiving aid.**

A Subrecipient's obligation to comply with First Source applies in each and every year in which a Subrecipient's total aid from the City exceeds $25,000, whether that threshold is reached from one single source or a combination of multiple sources. Therefore, please refer to the First Source Ordinance definition(s) of aid to determine if the total aid received from the City of Providence within the current calendar year exceeds the $25,000 First Source threshold.

This notice and associated materials describe the CDBG Subrecipient's First Source obligations and is designed to assist CDBG Subrecipient's, and any of their subcontractors, in meeting their obligations and to be in compliance. It is the prime Subrecipient's responsibility to ensure that contractors and subcontractors, regardless of contractual tier, that are successfully awarded work funded wholly or in part by CDBG resources read and fully understand this supplemental information and associated materials to comply with all provisions of First Source, as delineated herein and in the referenced documents.

It is strongly suggested that any CDBG Subrecipients who has questions regarding their obligations or plans to procure construction services with CDBG funds, requests a planning meeting with the Director of First Source and/or his/her designee. This meeting will include a review of the project goals and the process by which the First Source objectives will be achieved. At this meeting, specific forms and procedures for compliance and achievement of First Source objectives will be provided and agreed upon between all impacted parties.

Should there be any conflict between this supplemental information and the City of Providence Code of Ordinances, Sec. 2-169.1 and Sec. 21-91 *et seq.,* that conflict does not relieve the prime Subrecipients of being in compliance with the above referenced sections. Furthermore, by accepting CDBG resources the prime Subrecipients acknowledges their, and any of their subcontractor's, obligations to comply with First Source.

Applicability
Complying with First Source requirements is a mandatory condition of acceptance and receipt of CDBG funding, when the CDBG award amount brings the total aid received from the City of Providence to an excess of $25,000 within one calendar year. Should non-compliance with First Source requirements be determined, the prime Subrecipients and/or sub-contractor(s) may be subject to sanctions as delineated in Sec. 21-96 of the First Source Ordinance. It is the prime Subrecipient's responsibility to provide reporting in accordance with First Source and to ensure they receive adequate information from all tiers of contractors to do so.

**First Source is applicable to all employers with five (5) or more employees, including all contractors, subcontractors, tenants and subleasesees that do business on, work at, or are located at the site where CDBG resources have been or will be applied.** When such employers are hiring for positions created as a result of internal promotions, terminations and/or expansion of the employer's workforce, those positions are subject to the provisions of First Source, **except when those positions are to be filled by internal promotion within the employer's existing local workforce.**

First Source Hiring Process
All covered employers shall notify the Director of First Source (Director) and/or Designee of job openings for positions as described above, prior to advertising the job openings(s) to the public, utilizing the Job Vacancy Form.

Within ten (10) days of being notified of the job opening(s), the Director and/or Designee shall refer qualified persons until the employer has filled the job openings from the First Source list or with bona fide City of Providence Residents.

In the event that the Director and/or Designee does not respond to the covered employer within the ten (10) day period, or should the covered employer be unable to find qualified persons to fill the job opening(s) from those referred, the employer shall notify the Director and/or Designee that they wish to seek alternate candidates for the job opening(s).

Upon notification from the covered employer of their desire to seek alternate candidates, the Director and/or Designee shall have a ten (10) day period to meet with the covered employer to discuss the job opening(s). Should the Director and/or Designee agree that an appropriately qualified person cannot be identified, that agreement will be reflected in written correspondence and the covered employer can seek candidates for the job opening(s) from any source.

In the event the Director and/or Designee do not agree that a qualified person cannot be identified for the job opening(s), the Director and/or Designee shall have an additional ten (10) days to refer appropriately qualified persons to the covered employer. Should the position not be filled from candidates referred in the second ten (10) day period, then the covered employer may seek candidates for the job opening(s) from any source.

Required Forms: Reporting and Forms
The First Source Ordinance and all required forms referenced in this notice may be obtained at the website listed here: http://www.providenceri.com/economic-development/first-source.

Contact information

Should there be any questions regarding First Source obligations or process, please contact either the Director or Designee. In general, should the First Source questions be related to permanent employment positions, please contact the Director and when related to procuring construction services or direct hiring for construction, please contact the Designee.

City of Providence, Director of First Source:

**NATALIE LOPES**
Director | First Source Providence
Department of Planning & Development
444 Westminster Street, Suite 3A
Providence, Rhode Island 02903
401 680 8416 OFFICE
401 680 8493 FAX
nlopes@providenceri.com
www.providenceri.com/economic-development

PROVIDENCE THE CREATIVE CAPITAL

# Additional Policies & Procedures for Construction/Improvement/Acquisition Activities

## Construction Timeline

Subrecipients shall undertake their CDBG activity in accordance with the following schedule:

Pre Bid & Bid

- Attend Pre-Bid Meeting with Department of Planning and Development (DCD) Compliance Officer to:
    - Review City procurement policy and bid solicitation process
    - Review Davis-Bacon requirements
    - Review Environmental Review requirements/process
    - Receive technical assistance
        - Prior to soliciting bids, recipients should contact the First Source Director or his/her designee to ensure compliance First Source compliance for the project.
        - Solicitation of Bids & Advertisement, Advertisement must be placed at least two weeks prior to acceptance of bids – when required by procurement rules.
        - Determine lowest responsible bidder – when required by procurement rules.
        - Conduct reference check
        - Confirm and obtain Bond and Insurance documentation
        - Submit documentation of bid process to DCD Staff

Preconstruction

- Attend Preconstruction Meeting with Contractor and DCD Compliance Staff, to:
    - Review compliance monitoring process and requirements
    - Review requisition process
    - Finalize construction schedule

Construction

- Requisitions with required documentation submitted to DCD Staff. Requisition must include detail on work completed. Contractor's AIA forms are not sufficient.
- Compliance site visits conducted randomly by DCD Compliance Staff

Project Completion

- Schedule final project inspection with DCD Staff
- Submit final requisition. Requisition must include detail on work completed. Contractor's AIA forms are not sufficient.
- Final requisition must include a letter from grantee that work has been completed and completed satisfactorily.
- Subrecipients complete Closeout Report (showing beneficiaries)

## Labor Standards & Davis Bacon

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

The Davis-Bacon Act, as amended (40 U.S.C. 276a--276a-5), states that all laborers and mechanics employed by contractors or subcontractors in the performance of federally-funded construction work shall be paid wages at rates not less than those prevailing on similar construction in the locality.

Prevailing wage rates are found at the Department of Labor website:

- http://www.wdol.gov/wdol/scafiles/davisbacon/ri.html

A guide for contractors on Davis Bacon can be found online at:

- http://www.hud.gov/offices/adm/hudclips/guidebooks/HUD-LR-4812/4812-LR.pdf

Even if the largest part of funding for the project is not CDBG, Davis-Bacon still applies.

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

Copeland “Anti-Kickback” Act (18 U.S.C. 874 and 40 U.S.C. 276c)

All contracts and subgrants in excess of $2,000 for construction or repair shall include a provision for compliance with the Copeland “Anti-Kickback” Act (18 U.S.C. 874), as supplemented by Department of Labor regulations (29 CFR part 3, “Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States”). The Act provides that each contractor or subrecipient shall be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he is otherwise entitled. In addition, all contractors and subcontractors must maintain and submit weekly certified payroll records including certification of compliance with the Act. The recipient shall report all suspected or reported violations to HUD.

# Displacement, Relocation, Acquisition, & Replacement of Housing

Subrecipients shall assure that they have taken all reasonable steps to minimize the displacement of persons (families, individuals, businesses, non-profit organizations, and farms) as a result of CDBG activities pursuant to Part 570.606.

Relocation of displaced persons shall be provided in conformance with Section 104D of the Housing and Community Development Act and the Uniform Relocation Assistance and Real Property Acquisition Act of 1970 as amended (URA).

When contemplating any project or program, Subrecipients shall:

- Gather complete information identifying all tenants and owners who might be affected.
- Immediately notify the City if any action under your grant might result in an owner or tenant, business or residential, moving either temporarily or permanently.
- Immediately inform any tenant or owner that they are entitled to information and counseling and they should not move unless specifically required to do so and until they have received formal notices. Inform them that moving before that has occurred may cause them to give up rights.

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

Under URA CDBG projects are held to BOTH:

- Relocation Assistance for Displaced Persons/Businesses/Occupants, AND
- Replacement of any Housing Units lost as a result of project

Some steps that will be required in the event of acquisitions or displacement include:

**For Real Property Voluntary Acquisition**

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

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

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

**For Residential Displacements**

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

**For Nonresidential Displacements (Businesses, Farms, and Nonprofit Organizations)**

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

**For the acquisition of vacant property**

The City of Providence may determine that an appraisal is unnecessary if the valuation problem is uncomplicated and the anticipated value of the proposed acquisition is estimated at $10,000 or less, based on a review of available data. If this is the case, subrecipient shall prepare a waiver valuation.

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

**Replacement of Affordable Housing**

In general, when federal funds are used to eliminate any unit of affordable housing through demolition or downsizing, another affordable unit must be created.

- A unit does not need to be replaced if it is a substandard unit not suitable for rehabilitation that has been vacant for over a year.

- Subrecipient MUST replace a *vacant occupiable dwelling unit*, defined as follow:

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

## Lead Based Paint

For all structures constructed prior to 1978 The State of Rhode Island Department of Health "Rules and Regulations for Lead Poisoning Prevention" [R23-24.6-Pb] must be followed, where applicable: http://sos.ri.gov/documents/archives/regdocs/released/pdf/DOH/5928.pdf.

Subrecipients must abide by all applicable local, state, and federal regulations and codes governing lead based paint hazards. Where regulations differ, Subrecipients are held to the stricter of the standards. More information regarding State Lead laws can be found online: http://www.health.ri.gov/healthrisks/poisoning/lead/about/renovationrepairandpainting/.

For federal lead regulations, Subrecipients are subject to Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821-4846), the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851-4856), and 24 CFR Part 35, prohibiting the use of lead-based paint in residential structures; AND ; requiring notification of hazards of lead-based paint poisoning; AND requiring elimination of lead-based paint hazards.

At a minimum, subrecipient is required to:

a) Notify a purchaser or lessee of the presence of any known lead-based paint and/or lead-based paint hazards;

b) Paint test surfaces to be disturbed or removed during rehabilitation for the presence of lead-based paint, or presume lead-based paint and notify the occupants of the results within 15 days of when the evaluation report is received or the presumption is made;

c) Provide each occupied dwelling unit discussed in (a) and (b) in the preceding section with the EPA-approved lead hazard information pamphlet Protect Your Family From Lead in Your Home or EPA-approved equivalent;

d) Reduce lead hazards as required by the applicable subparts of Part 35 (see full description on following page); and

e) Perform clearance testing, including dust testing, before re-occupancy after all but minimal ("de minimis") amounts of paint disturbances.

| Level of Assistance in Property | Hazard Reduction Requirements | Summary of Requirements |
|---|---|---|
| Assistance of less than 5,000 per unit (some exceptions) | Exempt | Typically, the following are exempt from the Hazard Reduction Requirements (not necessarily notice & other requirements):<br>• Assistance is Less than 5,000 a Unit<br>• Unit was Built Prior to 1978<br>• Single Room Occupancy Unit<br>• Deed Restricted Elderly Housing<br>• Lead Free Building<br>• No Disruption of a Painted Service |
| Assistance of more than $5,000 per unit up to and including $25,000 per unit | Interim controls. | *Interim controls* means a set of measures designed to reduce temporarily human exposure or likely exposure to lead-based paint hazards.<br><br>Once work is completed a passing a RI Dept of Health LEAD SAFE CERTIFICATE Inspection must be realized for the exterior, common spaces, and all assisted units.<br><br>This approach provides assurances that lead-based paint (if present) is stable and the unit is “lead safe”. Clearance is conducted for the entire unit; however, it does prevent the reappearance of lead-based paint hazards. On-going maintenance is required.<br><br>Interim controls include, but are not limited to, repairs, painting, temporary containment, specialized cleaning, clearance, ongoing lead-based paint maintenance activities, and the establishment and operation of management and resident education programs. |
| Assistance of more than $25,000 per unit | Abatement of lead-based paint hazards. | *Abatement* means any set of measures designed to permanently eliminate lead-based paint or lead-based paint hazards (see definition of “permanent”) in the ENTIRE STRUCTURE (not just the areas where work is being done).<br><br>Once work is completed a passing a RI Dept of Health Lead Free Certificate must be realized for the exterior, common spaces, and all assisted units.<br><br>Abatement includes:<br>(1) The removal of lead-based paint and dust-lead hazards, the permanent enclosure or encapsulation of lead-based paint, the replacement of components or fixtures painted with lead-based paint, and the removal or permanent covering of soil-lead hazards; and<br>(2) All preparation, cleanup, disposal, and post abatement clearance testing activities associated with such measures. |

# Monitoring

# Monitoring

Subrecipients shall adhere to HUD's recordkeeping requirements as contained in 24 CFR Part 570 Subpart J, 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 shall be retained beyond the five years. The retention period starts when the annual or final expenditure report has been submitted or, for non-expendable property, from the date of final disposition.

Monitoring Reviews

The City Of Providence is responsible for monitoring Subrecipients to see if they comply with all regulations and requirements governing their administrative, financial and programmatic operations. This includes assuring that performance goals are achieved within the scheduled time frame, budget and when necessary taking appropriate actions when performance problems arise. Monitoring is not a "one-time-event", but rather will occur through visits, review of quarterly reports, and ongoing contract supervision.

Monitoring Visits

The five basic steps to the formal monitoring visit include:

- Notification Call or Letter - Explains the purpose of the visit, confirms date, scope of monitoring and outlines the information that will be needed to conduct the review.

- Entrance Conference - Introduces monitoring visit purpose, scope and schedule.

- Documentation and Data Gathering - The City will review and collect data and document conversations held with staff, which will serve as the basis for conclusions drawn from the visit. This includes reviewing client files, financial records, and agency procedures.

- Exit Conference - At the end of the visit the City will meet again with the key agency representatives to present preliminary results, provide an opportunity for the agency to correct misconceptions and report any corrective actions already in the works.

- Follow-Up Letter - The City will forward a formal written notification of the results of the monitoring visit pointing out problem areas and recognizing successes. The agency will be required to respond in writing to any problems or concerns noted.

Ongoing Monitoring

City DCD staff will conduct an on-going monitoring process in order to review the programmatic and financial aspects of the Subrecipient’s activities. DCD staff will review quarterly reports submitted by the Subrecipient for compliance with federal regulations regarding the use of federal funds and the implementation of the program.

The monitoring process is oriented towards resolving problems, offering technical assistance, and promoting timely implementation of programs. To this end DCD staff may require corrective actions of the Subrecipient.

Following are examples of significant problems, which will trigger corrective action by the Subrecipient:

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

Quarterly Programmatic Monitoring

Subrecipients shall submit a quarterly report detailing the implementation and administration of the activity or program. The quarterly programmatic report shall include the following:

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

This report is due in the City DCD office by the fifteenth (15th) working day of the quarter following the month when services were provided.

On-Site Visits

Based on monitoring results and other criteria, City DCD staff may hold discussions with Subrecipients whose performance does not appear to be sufficient to meet the goals and achievements as outlined in the agreement. An on-site visit may occur to discuss the service activity shortfall.

On-site monitoring visits may also be conducted in order to ascertain that eligible clients for whom the program was intended are being served and that in the event of an audit; the required client information is being maintained.