



**Policies and Procedures for
HUD Entitlement Grants:
Community Development Block Grant
(CDBG)
Emergency Solutions Grant (ESG)
HOME Investment Partnerships Program
(HOME)**

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BACKGROUND & OVERVIEW

Introduction

These Policies and Procedures establish a framework for the operation of the City of Moreno Valley's (City) entitlement grants from the US Department of Housing and Urban Development which include the Community Development Block Grant (CDBG), Emergency Solutions Grant (ESG), and the HOME Investment Partnerships Program (HOME). It outlines the City's approach to ensure that it is operating in a fair and consistent manner and that it maintains compliance with federal, state, and local requirements. The Policies and Procedures also serves to provide organizations receiving program awards (Subrecipients) with information to assist with managing their projects/programs. Subrecipients receiving a grant award from the City share the City's responsibility in being knowledgeable and following all federal compliance requirements.

These Policies and Procedures were developed within the guidelines established by the U.S. Department of Housing and Urban Development (HUD) and may be revised at any time as necessitated to be in conformance with Federal mandates.

About HUD Entitlement Grants

HUD provides entitlement communities with funds to carry out various activities to promote neighborhood revitalization, community development, economic development, and affordable housing. Entitlement communities are those comprised of central cities of Metropolitan Statistical Areas ("MSAs"); metropolitan cities with populations of at least 50,000; and qualified urban counties with a population of 200,000 or more (excluding the populations of entitlement cities). The City became a CDBG entitlement community in 1988.

Participation in HUD entitlement programs requires that the City develop a strategic five-year plan, known as the Consolidated Plan (ConPlan). Feedback from community members and stakeholders is solicited throughout the development of the plan and ultimately guides the needs and goals to be addressed in the ConPlan. The final Consolidated Plan outlines community needs, goals, and strategies that the City will address during the five-year ConPlan cycle. The ConPlan must be approved by the City Council, after which it is submitted to HUD and becomes part of the City's contractual agreement to pursue the stated objectives and funding priorities. The current Consolidated Plan cycle started July 1, 2023, and concludes on June 30, 2028. Annually the City is also required to submit an Annual Action Plan (AAP) to HUD to formally allocate annual program funds. The AAP includes the projects and/or organizations that the City has selected to fund for the program year. At the conclusion of the program year, the City is required to submit a Consolidated Annual Performance Evaluation Report (CAPER) to HUD. The CAPER outlines how much of the entitlement funds were expended and how the funds were used, and the City's performance in meeting the priorities, goals and objectives outlined in the Annual Action Plan and Consolidated Plan.

The Moreno Valley City Council is responsible for the oversight of the administration and program activity allocations of the entitlement grant programs. The City Council has

delegated the management of the three entitlement programs to the City's Grants Division. The Grants Division staff are responsible for policy analysis, conducting the annual planning process, assisting community partners to develop project activities, and managing and implementing approved program activities throughout the year.

Citizen Participation

The City of Moreno Valley has established a Citizen Participation Plan to provide opportunities for citizen involvement in the process of developing and implementing its HUD entitlement-funded grants. The Citizen Participation Plan outlines when, where, and how citizens can access information, review, and comment on major community plans and comment on progress of funded activities under these programs. The Citizen Participation Plan can be found on the [City website](#).

PROJECT REVIEW AND SELECTION

Award Process

The City of Moreno Valley program year begins July 1st and runs through June 30th of the following year. A Public Notice is published in the local papers and on the City website around December of each year announcing that applications are being accepted for the next program year. Available funding amounts are estimated based on the anticipated federal budget as the actual funding allocation is typically received from HUD at the beginning of the calendar year.

The City has established minimum and maximum award amounts are set as follows, however, consideration may be made on a case-by-case basis for additional funding. These amounts are reviewed periodically and updated as needed.

- CDBG: \$15,000 minimum grant amount for CDBG project or public services
- HUD regulations set a 15% maximum cap of the City's CDBG annual award for public services. HUD regulations do not set a maximum cap for eligible non-public service, non-administrative, activities.
- HOME: \$25,000 minimum grant amount for HOME projects
- ESG: \$50,000 minimum grant amount for ESG projects

Projects that serve people in both the City and Riverside County jurisdictions, such as those that serve the homeless, may apply for a jointly funded project. The maximum combined amount awarded to a joint project is \$400,000. The allocation is divided between the City and the County, by the proportion of the target population that lives within city limits.

Deadlines

Dates and deadlines are announced through a notice of funding availability (NOFA) at the beginning of the funding cycle and is published in the newspaper and on the City website. Detailed instructions are included with program applications. The City also hosts online technical assistance webinars to guide potential applicants through the process and answer questions. The City will not review significantly incomplete or irregular applications.

The schedule follows (approximate):

- November - City holds a community meeting to assess community needs.
- December – City posts Notice of Funding Availability and grant application to the public.
- January – Technical assistance webinar is held.
- January 31st – Applications due to the City of Moreno Valley.
- February – Applications are reviewed, and additional information is solicited from applicants, if needed.
- February – Applications reviewed by City selected Grant Review Committee.
- March – Applicants are interviewed by the Committee, if needed.

- March/April – Prioritized projects submitted to City Council for Approval.
- May – Public Hearing in front of City Council for final approval of project funding.
- May – Approved projects submitted to HUD in Annual Action Plan.

Online Application Process

The City publishes applications and application guidelines on OpenGov for program/project proposals for CDBG, ESG, and HOME funding. The annual application guidelines are updated prior to the start of the application process and posted to the City Web site.

Applicants will be required to submit information and backup documents about the organization including the proposed project/program, anticipated budget, milestones, program/program timeline, goals, financial documents, among other items. Applicants also can present their proposed project/program during Public Meeting No. 2, which typically takes place sometime in March.

Funding Priorities

Funding priorities is given to projects that:

1. Meet the Strategic Plan Objectives provided in the Consolidated Plan.
2. Have adequate community support and support an identified community need.
3. Have established means for program evaluation and accomplishment tracking.
4. Have a clearly defined scope, location, need, budget, goals.
5. Demonstrate capacity and the capability to carry out the project successfully including meeting all the HUD regulatory requirements.
6. Impact a significant number and/or percentage of low- and moderate-income persons.
7. Can begin immediately and finish within the contracted time.
8. Maximize the use of outside funds, match, and services which are coordinated with other public and private efforts.
9. Reduce homelessness or the risk of homelessness.
10. Stimulate employment in the community.

Leveraging Other Funds

The City encourages the leveraging of funds from both public and private resources to finance projects. Further, the City will work with applicants to assist in applying for other available funds and leveraging other resources to implement the housing strategies and programs.

Applicants must document funding commitments and leverage sources to complete the program goals and objectives. Applicants will need to submit a capital campaign plan if applicable. In addition, applicants must disclose other funding requested and the status of that request.

All funds necessary for the development of a project must be committed during the term of the award. The City will not execute documents until all funding commitments are confirmed.

Project Scoring

Each application is reviewed and scored by the Grant Review Committee. These scores are based on City standards for program experience, current goals, budgeted costs, and matching funds, if required. Ranking criteria are based on current community needs. Therefore, this criterion may be updated annually and presented during the funding application process. However, in general, each project is assessed based on the criteria below. The specific criteria and scoring values are included in the annual grant application made available online.

- **Administrative Capacity:** Experience/Past Performance; Organization and Staffing
- **Identification of Local Needs:** Documentation of local needs; Identification and priority of needs based on Consolidated Plan and Community Development Objectives
- **Program Design:** Clear and responsible methodology; Goals clearly defined and sustainable; Established means for program evaluation and accomplishment tracking.
- **Program Budget:** Reasonable budget for City residents served in relation to overall program; Leveraging of funds from other sources.
- **Technical Quality:** Application is clear, complete and includes all required supporting documentation and certifications.

A public meeting is held to allow Subrecipients to address the Grant Review Committee and compliance consultant's prior final prioritization.

After the applications are scored and prioritized, recommendations are provided to the City Council.

Appeals And Grievance

If an application for a loan or grant is denied the City will follow the process outlined below.

- City of Moreno Valley Grant Admin staff will notify the applicant/borrower/sub-recipient in writing of the denial.
- Applicant/borrower/sub-recipient must prepare an appeal letter.
 - The letter must include a reason for appeal – in what way the denial was contrary to regulations or in some other way inequitable.
- The appeal letter is submitted to the Grants Division Manager within 30 days of the date of the denial letter.
- The Grants Division Manager will consider the appeal and evaluate:
 - If the grounds of the denial were stated factually and objectively.
 - The validity of the denial (based on regulations).
 - The validity of the evidence (do the facts presented support the grounds for denial)
 - In areas of discretion, the matter will be evaluated for consistency.
- After evaluation the Grants Division Manager will provide a written response

within 15 working days of receipt of an appeal. The written response will include a:

- Final decision
- Brief statement of the reasons for the final decision

If the decision to deny is overturned because of the appeal, processing will resume, and the applicant/borrower/sub-recipient will be notified of the next step in the process.

All appeals should be addressed to the City of Moreno Valley's Grants Division Manager, PO Box 88005, Moreno Valley, CA 92552- 0805.

COMMON ELEMENTS OF AGREEMENTS

Overview

Subrecipient awards are based on the application for funding, including the scope of the identified problem, the proposed project activities, and the resources and administrative capacity of the applicants. Grants less than the original amount requested may be awarded at the discretion of the City. Organizations whose projects are approved for funding by the City Council will receive an initial award letter. Receipt of the award letter does not imply approval of all activities or specific costs proposed in the grant application. Agreements between the City (“Recipient”) and Subrecipients are typically executed after the City receives the formal HUD Funding Approval/Agreement, usually in September or October.

Proposed project activities and budget are subject to modification during agreement negotiations between the Subrecipient and the City. The Subrecipient Agreement negotiation process includes:

1. Defining project objectives and measurable outcomes.
2. Reviewing the relevant Policies and Procedure Manual(s).
3. Finalizing the program budget.
4. Finalizing the implementation schedule (for HOME, the project must be completed within four years of the date the funds were committed to the project).
5. Identifying special conditions to be included in the contract.

While the process is underway, no funds can be obligated pending the following actions:

1. Execution of a Subrecipient Agreement between HUD and the City.
2. Completion of an Environmental Review by the City.
3. Execution of the Subrecipient Agreement between the Subrecipient and the City.
4. Issuance of a written Notice to Proceed by the City.

In some situations, Subrecipient Agreements and therefore funding is held pending the Subrecipient securing additional funding to complete the project. The Subrecipient Agreement is the legal document governing the administration of the HUD funding. Each agreement consists of provisions common to each grant, generally referred to as ‘boilerplate’ language, as well as provisions specific to the agreement between the Subrecipient and the City. These provisions include:

1. Amount of the funding
2. Agreement termination, modification, and amendment
3. Method of payment
4. Policy requirements
5. Program budget
6. Program implementation schedule
7. Requirement to comply with applicable laws and regulations
8. Scope of services to be provided

By signing the Agreement, the Subrecipient is agreeing to meet federal regulations for financial management, procurement standards and nondiscrimination, as well as certifying to various operating standards and codes of behavior. The Subrecipient's final application and this policy and procedure manual are incorporated into the binding agreement of the contract, as funding is approved in part based on the information contained in the Subrecipient's application.

Program services may be commenced on July 1st of the program year; however, no expenditures or work initiated will be processed for payment prior to execution of the Agreement and delivery to the Subrecipient of a Notice to Proceed.

Either party may request modifications in the scope of services, terms, or conditions of the Agreement. Proposed modifications which are mutually agreed upon will be incorporated by written amendment to the agreement. Modification must be requested at least 30 days in advance.

Required Written Policies

Awarded subrecipients are required to have or develop written policies for the following items:

- Accounting Records Grievance and Complaint Process
- Affirmative Marketing Internal Control
- Allowable Costs Nondiscrimination
- Budget Control Procurement Transactions
- Cash Management Property Management
- Conflict of Interest Travel
- Drug Free Workplace Wage Laws
- Duplication of Costs

Construction Management

When carrying out construction activities, subrecipients must select a qualified construction manager(s). The subrecipient shall maintain the following documentation bids, change orders, construction progress meeting notes, cost certifications, 504 certifications, occupancy permits, and all Davis Bacon certified payrolls. For housing projects, Subrecipients must contact City staff to complete a housing quality inspection prior to occupancy. For housing rehabilitation projects, City staff shall review scopes of work prior to construction to confirm that the project complies with the City's local rehabilitation standards.

Copyright

If any activities of the proposal results in any copyright material, the City reserves the right to royalty-free, nonexclusive, and irrevocable license to reproduce, publish or otherwise use, and to authorize others to use the work for governmental purposes.

Covenant Against Contingent Fees

To prevent the actual or attempted exercise of improper influence, agencies are required

HUD Entitlement Policies & Procedures

to warrant that no agent or employee has been engaged to obtain HUD funds for a contingent fee. Contingent fees are defined as any payments conditioned upon the success an entity has in securing a government contract. Should it be discovered that a contract with the City involved contingent fees, the City may nullify the Agreement without penalty or pursue other measures to recover the full amount of such payment.

Duplication Of Costs

Upon being awarded federal funds by the City, a Subrecipient agrees to certify that the work performed does not duplicate any work that will be charged against any other agreement, contract, statement of work or received from another source.

Funding Contingencies And Future Support

The City recognizes the value of the Subrecipient and its work at the time the project is selected for funding. However, the City makes no obligation for additional or continuing support. Should the City's anticipated sources of revenue be withdrawn, reduced, or limited in any way, then the Subrecipient will be immediately notified in writing and the City will be released from all contractual liability for funding. Should a reduction in funding occur, the Subrecipient must immediately develop a plan to take appropriate and reasonable action to reduce its spending of the affected funds.

Hold Harmless And Indemnification

The Subrecipient is financially responsible (liable) for any irregularities that occur due to its negligence or failure to comply with the terms of the Agreement or City program policy. The Subrecipient must release, indemnify, and promise to defend and save harmless the City, its elected officials, officers, employees and agents from and against any and all liability, loss, damages, expense, action and claims, including costs and reasonable attorneys' fees incurred by the City, its elected officials, officers, employees and agents in its defense thereof, asserting or arising directly or indirectly on account of or out of the performance of service pursuant to the Agreement. In making such assurances, the Subrecipient specifically agrees to indemnify and hold harmless the City from any and all bodily injury claims brought by employees of the Subrecipient and expressly waives its immunity under the Industrial Insurance Act as to those claims which are brought against the City.

Insurance

All insurance purchased and maintained shall be from a company with a current minimum Best Insurance Guide rating of "A -VII" or authorized by the City Manager or their assignees. Prior to starting any activity covered by the Agreement, the Subrecipient shall provide the City with a copy of all required insurance instruments or certifications from the issuing insurance company or evidence of self-insurance. Cancellation of insurance is grounds for termination of the contract. Documentation should show:

- Coverage details.
- Coverage period.
- Amount of coverage; submitted on an ACORD form and the City named as an additional insured.
- Policy endorsement stating that coverage shall not be suspended, voided, canceled, nor reduced in coverage or in limits, without a 30-day written notice by

certified mail with a return receipt requested to the City.

Additionally:

The SUBRECIPIENT shall obtain evidence of general casualty (commercial liability) insurance to protect against legal liability arising out of activities associated with the Agreement. The insurance shall include a Products/Completed Operations aggregate. Such insurance shall provide a minimum of \$1,000,000 per occurrence and \$2,000,000 per general aggregate limit.

If the SUBRECIPIENT uses motor vehicles in conducting activities under the Agreement, liability insurance covering bodily injury and property damage shall be provided either through a self-insurance program or through a commercial insurance policy. Such insurance shall have minimum limits of \$1,000,000 per occurrence, combined single limit for bodily injury liability and property damage with no aggregate limit.

The SUBRECIPIENT shall ensure that every officer, director, or employee who is authorized to act on behalf of the SUBRECIPIENT for the purpose of receiving or depositing funds into program accounts or issuing financial documents, checks, or other instruments of payment for program costs shall be bonded or be covered by fidelity insurance to provide protection against loss. The insurance or bond must be secured for the term of the contract and must name the City as beneficiary. The bond or certificate shall show the bonding or insurance coverage, the designated beneficiaries, who is covered, and the amounts. If the SUBRECIPIENT chooses to purchase fidelity insurance, the coverage must include employee theft per loss, employee theft per employee, and theft (disappearance and destruction).”

The SUBRECIPIENT shall require any architect, engineer, land surveyor, or other licensed professional to obtain and maintain a professional Errors and Omissions insurance policy to protect against legal liability arising out of contract activity. Such insurance shall provide a minimum of \$2,000,000 per occurrence.

The SUBRECIPIENT shall purchase and maintain property insurance for all structures improved or constructed with funds under this agreement. Property insurance shall be in the amount of the initial construction contract as well as subsequent modifications thereto for all construction at the site on a replacement costs basis. For new construction, property insurance shall be on an all-risk form (builder’s all-risk) and shall insure against the perils of fire and extended coverage and physical loss or damage including, without duplication of coverage, theft, vandalism, malicious mischief, collapse, false work, temporary buildings and debris removal.

The SUBRECIPIENT shall purchase ALTA title insurance for any property purchase made under the Agreement. Title insurance shall name the SUBRECIPIENT and the City and shall be in an amount not less than the amount of grant funds provided under the Agreement.

The SUBRECIPIENT shall purchase an ALTA Extended Coverage 1970 form (with 1984

amendments) loan policy of title insurance in the amount of the loan. The policy shall name the City as beneficiary.

The SUBRECIPIENT shall purchase and maintain fire and extended coverage insurance policies for all structures improved or constructed with funds under the Agreement. The fire and extended coverage insurance policies shall be in the amount of 100% of the insurable value of the structure and improvements.

All insurance purchased and maintained shall be from a company with a current minimum best rating of VII-A.

Prior to starting any activity covered by the Agreement, the SUBRECIPIENT shall provide the City with a copy of all required insurance instrument(s) or certification of the same from the insurance issuing Subrecipient or, if appropriate, evidence of self-insurance. The insurance instrument(s) shall show the coverage, period and amount of coverage submitted on an ACORD form and shall name City of Moreno, the City of Moreno Valley Community Services District, and the Moreno Valley Housing Authority and each of their officers, employees, agents, and volunteers as an additional insured. The policy shall be endorsed to state that coverage shall not be suspended, voided, canceled, reduced in coverage or in limits without a 30-day written notice by certified mail with a return receipt requested to the City of Moreno Valley. Cancellation of policy is grounds for termination of the Agreement.

Licensing, Permits, Accreditation And Registration

The Subrecipient must comply with all applicable local, state, and federal licensing, accreditation and registration requirements or standards necessary for the performance of the contract. The loss of a required license, certification, or accreditation will be grounds for termination of a contract by the City, if the presence of such is a legal prerequisite to performing the service. The Subrecipient must obtain all necessary and appropriate land use permits, zoning approvals, and any other permits and approvals required by local, city, state, and federal law.

Non-Assignability Of Claims

No claim arising under any Agreement shall be transferred or assigned by the Subrecipient.

Non-Substitution For Local Funding

The Subrecipient shall not use funds provided under the Agreement to supplant local, state, or other federal funds. The Subrecipient shall not use these funds to replace funding that would otherwise be made available to the Subrecipient had this funding not been provided.

Ownership Of Materials

Work products developed as a result of the funded activity will be jointly owned by the applicant and the City. Such work products may include but are not limited to reports, maps, charts, materials, software systems and any other product created as a result of the work performed under the Agreement.

Program Income

The term “**program income**” means any gross income received by the Subrecipient that was directly generated from the use of the grant. When income is generated by an activity that is only partially assisted with these funds, the income must be prorated to reflect the percentage of federal funds invested. Program income received by the Subrecipient must be reported to the City.

Program Income may be utilized by the Subrecipient according to their Agreement.

Program Income includes:

- Proceeds from the disposition by sale or long-term lease of real property purchased or improved with federal funds.
- Proceeds from the disposition of equipment purchased with federal funds.
- Gross income from the use or rental of real or personal property acquired or owned and constructed or improved by a subrecipient with federal funds, less the costs incidental to the generation of the income.
- Funds collected through special assessments made against properties owned and occupied by households not of low-income, where the special assessments are used to recover all or part of the federal portion of a public improvement.
- Gross income paid to the subrecipient from the ownership interest in a for-profit entity acquired in return for the provision of federal assistance.

Promissory Note, Deed Of Trust And Covenant

Agencies that specifically receive grant funds may have to enter into a promissory note, deed of trust and covenant with the City. These run with the land for the period of affordability, as established by HUD regulations for repayment of the loan and shared equity. In addition, these legal conveyances may impose conditions including maintaining:

- Property insurance to full insurable value of the structure
- Property free and clear of all other charges, liens, or encumbrances impairing the security of the deed.
- Operation of the facility for the original purpose for which it received federal funding.

Revisions To Approved Budget

Any change in line-item expenditure that will exceed 20% of its allocated funding will require a formal modification to the signed Agreement. Requests for budget revisions must specifically state the reasons for the requested increase and, if applicable, a justification for the corresponding decreases in another budget category.

Taxes

Receipt of this federal funding does not relieve the Subrecipient of typical financial responsibilities. The Subrecipient is responsible for all payments accrued on account of payroll taxes, unemployment contributions, the Subrecipient's income or gross receipts, any other taxes, insurance or expenses incurred by the Subrecipient or its staff.

Termination

If the Subrecipient is unable or fails to comply with any of the provisions of the Agreement, the Agreement may be terminated, and the Subrecipient may be required to return all or a

portion of funding to the City. Individual Agreements will detail the specifics of termination. Some projects are contingent upon securing additional funding sources. In these cases, a time limit will be established in the Agreement, by which all funding must be secured or the Agreement will be terminated, and all funds returned.

Transfer Sale And Change Of Use

The City places a Deed of Trust on each property assisted with funding from HUD grants. If the property ceases to be used as an eligible activity as outlined in the deed. The City will collect on the note. Basic information is included below; further details are included in the deed. As used in a Deed of Trust, "interest in the property" shall mean any legal or beneficial interest in all or any part of the property. If all or any part of the property or any interest in the property is sold or transferred, or if there is a change of use or other transfer, and if such action or failure to act occurs without prior written consent of the City, the Subrecipient may be required to immediately provide payment in full of all sums secured by the Deed of Trust.

Notwithstanding anything to the contrary in the Deed of Trust, the following shall not be considered a transfer, sale or change of use and shall not trigger the City's right to declare any amounts secured by this Trust Deed due and payable:

- 1) A transfer of a limited partnership or limited liability company interest in the Borrower or its assigns;
- 2) The transfer of a security interest in the property for purposes of financing or refinancing done with the knowledge and consent of the City;
- 3) A sale, transfer or assignment of Borrowers interest in the property to a partnership, limited liability company or other entity of which Borrower or Borrower's affiliate is a partner, member or shareholder or to another 501(c)(3) organization or governmental entity reasonably acceptable to the City; and
- 4) The transfer of a leasehold interest to a residential tenant in the ordinary course of Grantor's business.
- 5) Removal of the General Partner by the Limited Partner pursuant to the Borrower's Partnership Agreement;

Shared Equity/Shared Net-Proceeds

The borrower and the City will share the appreciation at the time of sale or refinance. The calculation and payment of appreciated value of the property is described below:

Determining Value

- The value is determined by an appraisal satisfactory to the City; the sales price if sold; the appraised value if refinanced; or any insurance or condemnation proceeds received; or an appraisal required for condemnation or insurance proceeds. The appraisal shall take into account any covenants or restrictions which will remain in place; less
- The actual reasonable approved costs of sale (if the Property is sold), including appraisal, real estate commissions, real property excise tax, escrow fees, recording fees, title and insurance premiums; less
- Cost of depreciable improvements made to the Property subsequent to completion of the work funded or financed by this loan.

Shared Appreciation (SA)

- The Shared Appreciation is due and payable at the time any property is sold, refinanced or discontinued in service to the population it was intended to serve.
- Shared Appreciation is the Borrower's proportionate share of the appreciated value of the Property, together with the appreciated value of the improvements constructed on the property.

Shared Appreciation (SA) is represented in the following formula

$SA = (NP - TODC) \times (OP / TODC)$ where (SA) is the product of the Net Proceeds (NP) less Total Original Development/Purchase Costs (TODC) multiplied by the fraction whose numerator is the Original Principal (OP) amount of the City of Moreno Valley Program Award (loan) and whose denominator is the total Original Development/Purchase Costs.

TODC Costs

The appraised fair market value of the Property at the time of the loan or certification of cost if mutually agreed upon by the parties.

Net Proceeds shall be calculated as follows

The value is determined by an appraisal satisfactory to the City; the sales price if sold to a bona fide third party; the appraised value if refinanced; or any insurance or condemnation proceeds received; or an appraisal required for condemnation or insurance proceeds. The appraisal shall take into account any covenants or restrictions which will remain in place; less:

- 1) The actual reasonable approved costs of sale (if the Properties are sold), including appraisal, real estate commissions, real property excise tax, escrow fees, recording fees, title and insurance premiums, less
- 2) Cost of capital improvements made to the Properties subsequent to completion of the work funded or financed by this loan. Improvements must meet the Capital Improvement section of this policy.

Certifications

To receive federal funds, each Subrecipient must attest or certify to the following:

Anti-Lobbying

In accordance with federal regulations, all agencies, including subcontractors, must sign and submit an anti-lobbying certification to certify that they have not used federal funding to lobby a position. In addition, agencies must disclose the use of any other money used for such a purpose by completing the OMB Form SF-LLL. When an organization seeks reimbursement for indirect costs, total lobbying costs shall be separately identified in the indirect cost rate proposal, and thereafter treated as other unallowable activity costs. Agencies are also required to include an anti-lobbying clause in all of their contractual arrangements connected to the project.

Debarment

Agencies must certify that neither the Subrecipient, nor its principals, officers, employees and subcontractors are presently debarred, suspended, proposed for debarment, declared

ineligible, or voluntarily excluded from participation in this transaction by any federal department or Subrecipient. In addition, agencies agree that they will not knowingly hire or enter into contract with any subcontractor who is debarred, suspended, declared ineligible, or voluntarily excluded from participation, unless authorized by the City. Agencies are required to include such a clause in all of their contractual arrangements with respect to this federally funded activity and maintain evidence of compliance in personnel files or with the subcontractor's documents. Agencies are required to verify that a vendor is not on the federal government list of debarred vendors by visiting the following website: <http://www.sam.gov> . Verification must be included in the file.

Conflict Of Interest

Federal regulations require recipients of federal funds to comply with conflict-of-interest provisions. In general, no person, nor their family or business partners, who may exercise any function with respect to a federally funded activity may obtain a personal or financial benefit from the activity during their tenure and for one year after. In addition, any potential conflict of interest on the part of the applicant or its employees must be disclosed to the City.

Drug Free Workplace

Participation in these grant programs requires that agencies adopt their own policy to ensure a drug free workplace. Specifically, agencies must make a good faith effort to maintain a drug-free workplace by:

Publishing a drug-free workplace statement that is given to each employee who will be engaged in the performance of any federal award and that:

- 1) Informs employees that the manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the Subrecipient workplace;
- 2) Specifies the actions that the Subrecipient will take against employees for violating that prohibition; and
- 3) Informs employees that as a condition of employment under any award, he or she will abide by the terms of the statement and must notify the Subrecipient in writing if he or she is convicted for a violation of a criminal drug statute occurring in the workplace and must do so no more than five calendar days after the conviction.

Establishing a drug-free awareness program for Subrecipient employees about:

- 1) The dangers of drug abuse in the workplace;
- 2) The policy the Subrecipient has of maintaining a drug-free workplace;
- 3) Any available drug counseling, rehabilitation, and employee assistance programs; and
- 4) The penalties that the Subrecipient may impose upon them for drug abuse violations occurring in the workplace.

Taking action when an employee is found in violation of drug statutes governing the Workplace including:

- 1) Notify the City in writing within 10 days of learning of the conviction. Include the employee's position title and identification number of the affected award.
- 2) Take appropriate personnel action against the employee which may include

termination or required participation in an approved rehabilitation program.

Agencies must also identify all known workplaces funded in part by federal funds.

Nonparticipation In Political Activities

The applicant must agree that no funds provided, nor personnel employed under the contractual agreement, shall be in any way or to any extent engaged in the conduct of political activities in violation of the Hatch Act ([USC Title V, Chapter 15](#)).

Violence Against Women Act

The applicant must agree that all Violence Against Women Act (VAWA) requirements (set forth in [24 CFR part 5, subpart L and 24 CFR 92.359](#)) apply to all HOME tenant-based rental assistance and rental housing assisted. These requirements shall be included in the written agreement and shall include:

- 1) Notice Requirements
- 2) Obligations under emergency transfer plan
- 3) Bifurcation of lease requirements
- 4) Imposition of all VAWA requirements for the duration of the HOME period of affordability

Broadband Access

For new commitments made after January 19, 2017, for a new construction housing project of a building with more than 4 rental units, the construction must include installation of broadband infrastructure, as this term is defined in 24 CFR 5.100, except where the participating jurisdiction determines and, in accordance with §92.508(a)(3)(iv), documents the determination that:

- (A) The location of the new construction makes installation of broadband infrastructure infeasible; or
- (B) The cost of installing the infrastructure would result in a fundamental alteration in the nature of its program or activity or in an undue financial burden.

PROJECT OPERATION

Funds are awarded for the sole purpose of completing the project identified in the application and incorporated into the Agreement. The use of HUD funds is expressly limited to the activities described in the Agreement. In the case of facilities funded with HUD funds, the agencies must maintain and operate facilities for eligible activities, to be open for the use of the public during all normal hours of operation and will not charge a fee that would restrict low-income persons from using the facility. In the event the Subrecipient fails to maintain and operate the project, the City may, at its option, take possession of the project and operate and maintain it for any lawful purpose.

Project Schedule

A project schedule is made part of the Agreement and is considered a critical element for review in the implementation of the proposal and the monitoring of performance. The Agreement will specify a period that the agreement is in effect, including a project completion date. Agencies are required to submit monthly or quarterly reports and report project milestones. Projects will be periodically reviewed to ensure progress and agencies must make requests for project extensions in writing, explaining the reasons for the request. Any request for an extension must follow HUD regulations at [24 CFR 92.205\(e\)\(2\)](#). Any funds unspent at the end of the agreement period will be retained by the City for allocation to another eligible project.

Public Information

In all news releases and other public notices related to projects funded under the Agreement, agencies must formally identify the source of funds. Depending on the scope of the project, additional notification requirements may be required, such as:

- During construction agencies may be required to erect a durable and adequately visible sign at the construction site, identifying the source of funds.
- Upon the completion of construction, the Subrecipient may be required to place a metal plaque permanently in the highest foot traffic area readily visible to the public. The plaque should identify the funding sources, the project name, and the year constructed. City staff will work with agencies to identify specific project requirements and contracts will carry provisions outlining the specifications of such notifications.

Real Property Management

Real property - land, including land improvements, structures, and appurtenances thereto, excluding movable machinery and equipment.

Religious Organizations

Organizations that are directly funded under the HUD programs may not engage in inherently religious activities, such as worship, religious instruction, or proselytization, as part of the programs or services funded under this agreement. If an organization conducts such activities, the activities must be offered separately, in time or location, from the programs or services funded under this part, and participation must be voluntary for the beneficiaries of the HUD- funded programs or services.

Minimum Property Standards

HUD funds are available to provide decent, affordable housing. Funds are available for either direct rental assistance or for the construction or rehabilitation of housing. Programs include:

- 1) Housing Rehabilitation Loan Program: Housing improved through the City program is subject to inspection and approval. Refer to the Housing Rehabilitation Loan Program Policy and Procedure Manual for additional information and requirements. (attached)
- 2) Manufactured Housing: Construction of all manufactured housing must meet the Manufactured Home Construction and Safety Standards established in [24 CFR 3280](#) Manufactured Home Construction and Safety Standards. Installation and rehabilitation of manufactured housing must comply with both City and the California Code of Regulations, Title 25, Division 1, Chapter 3, Subchapter 2, commencing with section 4000.
- 3) New Construction or Rehabilitation: Housing that is newly constructed or substantially rehabilitated with federal funds must meet rehabilitation standards, local building codes, fire codes and maintenance standards located at Moreno Valley Municipal Code (VMC) Title 17 Buildings and Construction, and Title 16 Fire Code, as well as the zoning ordinance at VMC Title 20 Land Use and Development Code.
- 4) Rental Housing: An owner of rental housing assisted with federal funds must maintain the housing in compliance with all local building codes, fire codes and maintenance standards. An HQS is performed according to [24 CFR 92.251](#).
- 5) Tenant Based Rental Assistance (TBRA): When federal funding is provided for rental assistance, housing units must be inspected to meet the minimum Housing Quality Standards (HQS) established in [24 CFR 982.401](#), prior to occupancy. No funds will be released until inspections are completed and approved with documentation in project files.

Acquisition With Relocation

Federal law regarding acquisition and relocation as a result of projects assisted with HUD funds is complex and involves an extensive series of notifications and actions within prescribed timelines. Rigorous documentation and recordkeeping standards are also outlined. Therefore, a Subrecipient considering such action **must contact the City prior to any choice-limiting actions**. Choice-limiting actions include but are not limited to the expenditure or commitment of either federal or non-federal funds, or execution of any contract. City staff will work closely with any applicant pursuing such a project.

Dispute Resolution

If a grant or loan recipient is dissatisfied during the course of work together with either the City or with a contractor paid for through the City, the following steps should be followed:

- a. The grant or loan recipient should discuss their area of concern(s) or disagreement with the Grants Division Manager.
- b. The grant or loan recipient may contact the Grants Division Manager to review their concern(s).

- c. The grant or loan recipient may submit a formal written statement delineating the concerns and areas of disagreement.
- d. The concern may be reviewed by the City Attorney's Office if necessary.

ENVIRONMENTAL REVIEW RECORDS (ERR)

As part of the Agreement preparation process, the City will conduct an environmental review under the National Environmental Policy Act (NEPA) and [24 CFR 92.352](#). *No funds will be formally committed nor expended until the completion of the NEPA.* To expedite the process, the City proceeds with the required environmental review and information gathering prior to the Agreement being signed. The Subrecipient may be required to furnish data, information, and assistance as part of the environmental review. Completion of the environmental review process is mandatory, before taking any choice-limiting actions, including the expenditure or commitment of either federal or non-federal funds. Prohibited actions include any physical action on a site such as demolition, movement, rehabilitation, conversion, repair, or construction. Furthermore, the Subrecipient may not execute a construction contract prior to environmental clearance.

Historical Or Cultural Artifacts

If historical or cultural artifacts are discovered at a project site, funded with HUD funds, during construction or rehabilitation, the Subrecipient or subcontractor shall immediately stop construction and notify both City staff and the California Native American Heritage Commission.

Historic Preservation

Projects will be reviewed to determine if a historic property is potentially affected by the undertaking. Properties that are listed in or found to be eligible for inclusion in the National Register of Historic Places and the California Office of Historic Preservation (OHP), will be subject to the requirements of the City's Development code. Alterations to such properties shall be submitted for review and approval at the City's Permit Center located at City Hall. This review will be completed prior to the issuance of the Notice to Proceed.

Lead-Based Paint And Lead Hazards

Projects that involve the acquisition or renovation of property built prior to 1978 must be tested for lead-based paint, subject to De minimus levels ([24 CFR 35.1350](#)). Interim controls and safe work practices are required during construction. In addition, housing assisted with federal funds is subject to the:

- Prohibition of the use of lead-based paint.
- Elimination of immediate lead-based paint hazards in residential structure.
- Notification of the hazards of lead-based paint poisoning to purchasers and tenants of residential structures constructed prior to 1978.

Paid renovators and multi-family housing maintenance workers who work in pre-1978 housing and child-occupied facilities will be required to meet the training and certification requirements of both HUD - Lead Safe Housing Rule (LSHR) and EPA – Renovation, Repair and Painting Rule (RRP). Paid renovators include renovation contractors, painters, and other specialty trades.

National Flood Insurance

Funding will not be approved for acquisition or construction for use in any area that has been identified as having special flood hazards and is not participating in the [National Flood Insurance Program](#).

New Construction Site And Neighborhood Standards

A site for newly constructed housing must meet the site and neighborhood standards listed in [24 CFR 983.57](#) as applicable. A copy of the site selection and neighborhoods standards review shall be retained by the grantee if utilized.

LABOR STANDARDS

Federal Wage Laws And Labor Standards

Some HUD activities are subject to federal wage laws and labor standards known as the Davis Bacon and Related Acts ([29 CFR Part 5](#)).

For CDBG-funded contracts, the Davis-Bacon Act is triggered when construction work over \$2,000 is financed in whole or in part with CDBG funds. It does not apply to the rehabilitation of residential structures containing less than eight (8) units or construction carried out by employees of the City.

For HOME-funded contracts, the Davis-Bacon Act is triggered for the construction of affordable housing with twelve (12) or more units, including land acquisition or clearing which will result in twelve (12) or more HOME-funded units.

Contractors and subcontractors performing work on a construction project funded through the contract must comply with prevailing wage laws by paying the higher of state or federal prevailing wages according to:

1. The Davis Bacon and Related Acts, Title 40 USC 276a to a-7 (Public Law 107-217-Aug. 21, 2002, as amended), and applicable provisions of the implementing regulations at 29 CFR Part 3 and 29 CFR 5.5 and related federal acts provide that all laborers and mechanics employed by contractors or subcontractors shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor.
2. The Copeland (Anti-kickback) Act (40 U.S.C. 2776c) governs the deductions from paychecks that are allowable. The Act makes it a criminal offense to induce anyone employed on a federally assisted project to relinquish any compensation to which he/she is entitled. In addition, the Act provides that all laborers and mechanics are entitled to receive pay weekly.
3. Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333), as Amended, is applicable to federally assisted contracts subject to Davis-Bacon standards for construction projects employing mechanics or laborers and states that:
 - a. Eight hours is the standard workday, forty hours is the standard workweek.
 - b. One and one-half times the basic hourly rate of pay, exclusive of fringe benefit payments, must be paid for all hours over forty in a workweek.
 - c. No worker shall be required to work in surroundings or under working conditions that are unsanitary, hazardous, or dangerous to health and safety.

Enforcement Provisions

The City's CDBG/HOME programs shall be responsible for the monitoring of contractor compliance with the Federal Labor Standards Provisions. Grant Recipients are responsible for supporting the City in its efforts to monitor contractor compliance with Federal Labor Standards Provisions and more importantly are responsible for the enforcement of contractor compliance with the Federal Labor Standards Provisions. Several actions must be taken at each step of the bidding & construction process for monitoring and

enforcement of the Federal Labor Standards Provisions. These actions (generally listed in order of occurrence during the construction process) are as follows:

1. Prior to Bid Advertising

- a) Subrecipient requests a copy of Federal Labor Standards Provisions (Supplementary General Conditions) for inclusion in bid document/quote package from City staff.
- b) Subrecipient submits draft bid/contract document for review by City at least ten days prior to advertisement of bid.

2. Ten Days Before Bid Opening

Subrecipient requests a copy of the current federal wage decision from City *ten days before bid opening*. The updated wage decision must be sent to all plan holders in a formal addendum to the bid document. This updated wage decision will apply to all work covered by the construction contract to be awarded under that bid advertisement. An exception to the “lock-in” date described above applies when the construction contract award is delayed 90 days or more after the bid opening. In these cases, changes in the wage decision published between the bid opening and construction contract award date must be included in the construction contract.

3. Before Awarding Construction Contract

Grant Recipient contacts City staff to verify eligibility (check for debarment) of the general contractor before awarding the construction contract.

4. Before Construction Begins

Subrecipient holds pre-construction conference with representatives to ensure that federal labor standards requirements are discussed with the general (prime) contractor before construction begins. The City staff shall be responsible for leading the labor standards discussion. In scheduling the pre-construction conference, Subrecipient should ask prime contractor to bring along person(s) responsible for doing company payroll.

5. During Construction

During the period of construction, the City is responsible for the following:

- a) Inform, advise and support contractor compliance.
- b) Review certified payroll reports for compliance.
- c) Monitor for violations and investigate probable violations and complaints of underpayment.

If it's determined that contractor is in violation of Federal Labor Standards Provisions, Subrecipient shall be required to take enforcement measures (withhold progress payment, assess liquidated damages, take legal action as appropriate and necessary, etc.).

6. Before Releasing Retainage on Construction Contract

Before releasing retainage, Subrecipient must check with City Grants staff to make sure construction contractor has satisfied all requirements under the Federal Labor Standards Provisions. Note that for construction projects subject to Federal Labor

Standards Provisions, the City shall reserve the final 10% of grant funds budgeted on the construction line item (as specified in Exhibit A of Construction Contract) pending the City's receipt of a complete and correct set of certified payrolls from project contractor(s).

FINANCIAL MANAGEMENT

Financial System Overview

Agencies who receive federal funds must establish and maintain a financial system that meets the minimum federal requirement for financial management ([2 CFR 200.302](#)). Records must be reliable and up-to-date and are subject to review upon request. The system must be flexible enough to accommodate applicable laws and regulations, and yet also conform to *generally accepted accounting principles* (GAAP). Public agencies must maintain their accounting records in a manner consistent with the Budgeting, Accounting, Reporting System for Counties and Cities, and Other Local Governments (BARS) or equivalent accounting method. In general, a financial system must:

- Provide effective control over and accountability for all funds, property, and other assets.
- Identify the source and application of funds for federally funded activities, including verification of the “reasonableness, allowability, and allocability” of costs and that no funds have been used in violation of any restriction or prohibition.
- Report accurate and complete disclosure of financial results in a timely manner.
- Develop board approved financial policies; a list of required policies is included in the *Funding Award* section.

Allowable Costs

Costs are only eligible for reimbursement if they meet cost principle standards ([2 CFR 200.405](#)) and are allowable, reasonable, and allocable.

Allowable:

- Necessary for performance or administration of grant award.
- Authorized under all pertinent regulations and requirements.
- Adequately documented, including source documentation.
- Not charged to any other program, not a duplicate cost.

Reasonable:

- Cost is ordinary or typical for the purchase.
- Purchase benefits client population.

Allocable:

- Incurred specifically for the grant award project.
- If purchase is for program, rather than project, but can be proportionately prorated.
- Is necessary for the overall operation of the organization, although a direct relationship to any cost objective cannot be identified.

Budget Control

Agencies must monitor obligations and expenditures against their approved budget. In addition, financial data should relate to performance data. Whenever practical, unit cost information should be developed.

Cash Management

Cash management standards require a strict attention to detail and accuracy and include:

- Accurate and supported information
- Returning erroneously drawn funds to the City immediately
- Transfers that result in using HUD funds for any purpose other than that for which it was given are not allowed.

Regular banking procedures may be followed without any separate bank account or special bank eligibility requirements. However, agencies must be able to account for the receipt, obligation, and expenditure of funds.

Internal Control

Agencies must adequately safeguard all property. Assets must only be used in a manner consistent with applicable laws, regulations and policies, and efforts must be made to protect against waste, mismanagement, or loss. Elements of internal control which establish a system of checks and balances include:

- An organizational chart setting forth the actual lines of responsibility of individuals involved in approving or recording financial transactions.
- Written definition outlining the separation of employee duties, so no one individual has authority over an entire financial transaction. Key functional responsibilities:
 - a. Authorization to execute a transaction.
 - b. Recording a transaction.
 - c. Custody of the assets involved in the transaction.
 - d. Reconciliation of all transactions.
- Physical access to confidential records, blank forms, cash, and other assets limited to authorized personnel only.
- Periodic comparisons of financial records to actual assets and liabilities with corrective action taken in response to any discrepancies: reconciliation.
- A designated representative who will be legally responsible to cost reimbursement requests and other forms as required throughout the project.
- An assigned liaison that will be responsible for overall administration of the HUD funded project and coordination with the City Fidelity bond coverage is obtained for responsible officials of the organization; the City May require the applicant to purchase additional fidelity bond coverage in cases where it believes the normal policy coverage is not sufficient to protect the interest of the government.

Travel

Travel expenses are recognized as a function of business and are included in the definition of the operating expenses of an organization. Travel expenses are not appropriate for casual or occasional use of a personal vehicle within the local area. The City will only approve travel consistent with the approved budget in the Agreement.

Accounting Records

Records are to be maintained in such a manner that costs can be tracked to specific revenue sources. In addition, records should contain information pertaining to grant awards, all obligations, unobligated balances, assets, liabilities, expenditures, and program income. Documentation regarding how much of an obligation or expenditure is attributed to federal funds is required. An accounting system should include the following:

- **Chart of accounts.** A listing of all accounts in the general ledger of the organization; each account should be accompanied by a reference number.
- **Cash receipts journal.** A chronological listing of when funds are received, in what amounts, and from what sources.
- **Cash disbursements journal.** A chronological listing of the date an expenditure was incurred, how much was spent, to whom funds were paid, and for what purpose.
- **Payroll journal.** Documents the organization's salaries and benefits expenses, identifies funding sources per employee, and distinguishes various payroll categories.
- **General ledger.** Chronological summary of the activity and financial status of all the accounts of an organization: cross-indexed with journal entries to permit the tracing of any recorded transaction.
- **A trial balance practice.** A listing of the ledger accounts along with their respective debit or credit balances.

Source Documentation

Accounting records must be supported by source documentation. Source documentation must be readily available for review. Supporting documentation is necessary to explain the basis of the costs incurred, as well as the actual dates and expenditure amounts. Source documentation specific to:

Payrolls

- Employment letters and all authorizations for rates of pay, benefits, and employee withholdings.
- Written personnel policies.
- W-4 forms.
- Time and attendance records; particularly for time charged to City funding.
- Time distribution records; to support the allocation of charges among multiple sources.

- Canceled checks from the employees, insurance provider, or evidence of direct deposits.

Space and Utilities

- Rental or lease agreements.
- Utility company bills.
- Canceled checks.

Supplies

- Purchase orders or requisition forms initiated by an authorized representative.
- Detailed invoice from the vendor (which has been signed-off to indicate the goods were received).
- Canceled check from the vendor.
- Information regarding where the supplies are being stored and for what cost objective(s) they are being used.

Cost Reimbursement

The City Agreement with the subrecipient is on a cost reimbursement basis. In limited cases advance funding can be transferred to an escrow account. Indirect costs must be supported by a cost allocation plan. The Subrecipient must provide the City with a copy of their cost allocation plan that defines how direct, shared, and administrative costs are allocated including the methodology. Once a Subrecipient has incurred an expense, a “request for reimbursement form” should be completed and submitted to the City. Requests must include a summary of expenses in support of all cost reimbursement items and staff costs by statement of work number and accompanied by general ledger detail. For services or projects that are funded by multiple parties, the general ledger detail should identify which service, work, or staff costs were funded by the City and which by other parties.

Supporting source documentation should show:

- When was the expense incurred.
- How much was spent.
- To whom funds were paid.
- For what purpose (is the cost allowable).
- Who approved the expense.
- How much of an obligation or expenditure is attributed to City funds.
- What methodology was used in allocating shared costs to the City funds.

Agencies are required to submit monthly or quarterly invoices for reimbursement. The City will make payment to the Subrecipient *as soon as practicable*, but not more than thirty (30) days after an invoice is received, determined to be accurate and satisfactorily supported by accompanying documentation. Occasionally other payment arrangements are agreed to by both parties. Staff will review requests for reimbursement against supporting documentation and the approved budget. No payment shall be made for any service rendered by the Subrecipient, except for services within the scope of each Agreement.

Please note that any cost submitted for reimbursement must be the net of all applicable credits. Any credits such as purchase discounts or price adjustments must be deducted from total costs charged and documented.

10% Hold Back, Funding Retained Until Project Completion

In cases where City funding is a portion of the purchase, acquisition or construction of a project, ten percent of the amount awarded will be held back pending successful completion. Documentation for completion of the project includes occupancy permits, leased units and an operational program. When constructing housing, the architect must certify that the number of required units meets accessibility standards under Section 504 of the Rehabilitation Act of 1973.

Disallowed Costs

Upon signing the Agreement, the subrecipient assumes responsibility for any audit exceptions or disallowed costs incurred by its own organization or that of its subcontractors. The City will expect payments to be returned if costs are considered disallowed. Disallowed costs are defined when the subrecipient has received payments for expenses or services that are outside the scope of the Agreement, prohibited, or paid for by another source. The Agreement may resume when the disallowed costs are recovered, and the corrective action process has been completed.

Federal Regulations Governing Financial Management

Non-Federal entities receiving HUD awards from the City are subject to the provisions of HUD Title [2 CFR Part 200](#), Cost Principles and Audit Requirements for Federal Awards.

PROCUREMENT

This section outlines requirements for using federal funds to purchase materials, products, or services using contracted funds under the HUD entitlement programs. These funds can only be used to purchase what is necessary to implement the approved proposal, as described and agreed to in the approved budget that is incorporated into the signed Agreement. Whether purchasing occasional office supplies or contracting for construction services, the requirements governing the purchasing process are designed to ensure that:

- A free and open competitive process in securing products or services is followed.
- Purchasing activities and decisions are properly documented.
- Special rules for particular purchases (small purchases, competitive sealed bids, competitive proposals, and sole source procurements) are followed.
- Work involving large construction contracts and/or subcontracts are properly bonded and insured.
- To the maximum extent feasible, local businesses and/or small, minority and/or women-owned businesses are used or contracted with.
- Supplies and services are obtained as efficiently and economically as possible.

Required Standards

Every Subrecipient ***must have*** written procedures for procurement transactions, which at a minimum ensure that:

- Unnecessary purchases and duplicate costs are avoided.
- Items delivered and paid for are consistent with the purchase order and/or contract for the goods or services.
- All purchase orders (and contracts) are signed by the authorized official(s) of the Subrecipient.
- A cost or price analysis is made and documented in connection with every procurement action, including contract modifications; these must also be available for review upon request by the City. A cost or price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices, and similar indicia, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability and allowability.
- Profit or fee is negotiated separately from price where competition is lacking or whenever a cost analysis is performed. To establish a fair and reasonable profit, consideration will be given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of past performance, and industry rates for the area.
- "Cost plus a percentage of cost" pricing is not used for contracts.
- Whenever possible, use of federal excess and surplus property or intergovernmental agreements for procurement or use of common goods and services should be considered to foster greater economy and efficiency.
- There is a documented system of contract administration for determining the

- adequacy of contractor performance.
- Protest procedures are in place to handle and resolve disputes relating to procurement.
- Timely payment to vendors occurs once the order is delivered, inspected, accepted, and payment authorized.
- Where appropriate, an analysis should be made of lease versus purchase alternatives.
- There is a written code of conduct governing employees, officers, or agents engaged in the award or administration of contracts.
- Procurement records for each purchase are maintained and at a minimum include:
 - a) Rationale for selecting both the method of procurement and the type of contract.
 - b) The basis for contractor selection or rejection.
 - c) Justification for lack of competition when competitive bids or offers are not obtained.
 - d) The basis for the award cost or price.
 - e) The list of provisions in [24 CFR 85.36\(i\)](#) Public Agencies or 84.48 Non-profit Organizations, as applicable, must be included in any contract.

Methods Of Procurement

Depending on the scarcity of the item or service desired, and the size of the purchase, different methods of procurement are available. Simple purchases are managed with the Small Purchase Procedures, while the three more complex procurement processes all require following a formal solicitation process in addition to the procedural process of the specific procurement method.

- Small purchase procedures
- Sealed bids procurement
- Competitive proposal procurement
- Noncompetitive proposal procurement

Micro and Small Purchase Procedures

Micro purchases are those purchases for supplies and services that do not exceed \$10,000 or \$2,000 for acquisition or construction subject to Davis-Bacon Act. Such purchases are exempt from competitive quotes but must be reasonable.

Small purchases are those purchases that are over \$10,000 but less than the ***simplified acquisition threshold*** currently set at \$250,000 [see 41 USC 403 (11)] and require:

- A cost or price analysis typically from at least three qualified sources.
- The method of analysis is at the discretion of the applicant.
- The analysis must be available for review upon request.

Formal Procurement Or Solicitations

Solicitations must clearly explain all requirements that the bidder must fulfill to be evaluated. Solicitations cannot contain features which unduly restrict competition. Some of the situations considered to be restrictive of competition include:

- Placing unreasonable qualifying requirements on firms.
- Requiring unnecessary experience and excessive bonding.

- Specifying only “brand name” products instead of allowing “an equal” product.
- Noncompetitive pricing practices between firms or affiliated companies.
- Noncompetitive awards to consultants on retainer contracts.

The award is only to be made to responsible contractors possessing the ability to perform successfully under the terms and conditions of the proposed procurement. Consideration should be given to:

- Contractor integrity
- Compliance with public policy
- Past performance
- Financial and technical resources

Pre-qualified lists of vendors/contractors, if used, must be current, developed through open solicitation, include adequate numbers of qualified sources, and must allow entry of other firms to qualify at any time during the solicitation period. The process should exclude contractors that develop or draft specifications, requirements, statements of work, invitations for bids, and/or requests for proposals from competing for such procurement. Awards are not to be made to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in federal assistance programs.

Sealed Bids Procurement

Sealed bids are the preferred method for procuring construction services. Bids are publicly solicited, and a unit price contract is awarded to the responsible bidder whose bid conforms to the terms and conditions of the invitation to bid and is the lowest in price.

For this method to be feasible, the following must be in place:

- A complete, adequate, and realistic purchase/project description.
- Two or more responsible bidders willing and able to compete for the business.
- Procurement that lends itself to a firm fixed price contract.
- The selection of the successful bidders can be made principally on the basis of price.

If sealed bids are used, the following requirements apply:

- The invitation for bids must be publicly advertised.
- The bids shall be solicited from an adequate number of known suppliers providing a reasonable response time.
- The invitation for bids shall define the items or services and will include any specifications or pertinent attachments.
- All bids will be publicly opened as described in the invitation to bid.
- A firm fixed-price contract award will be made in writing to the lowest responsive and responsible bidder.
- Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs shall be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of.

- Any or all bids may be rejected if there is a sound documented reason.

Competitive Proposal Procurement

The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed-price or cost-reimbursement type of contract awarded. It is generally **used when conditions are not appropriate** for the use of sealed bids. If this method is used, the following requirements apply:

- Requests for proposals (RFPs) will be publicized and identify all evaluation factors and their relative importance.
- Each response must not be dismissed outright and must be given reasonable consideration.
- Proposals to be solicited from an adequate number of qualified sources.
- An established method for conducting technical evaluations of the proposals received and for selecting awardees must be in place.
- Awards will be given to the responsible firm with consideration for price and other factors.

Architectural/Engineering (A/E) Professional Services

Competitive proposal procedures may be used for **qualifications-based procurement** whereby competitors' qualifications are evaluated, and the most qualified competitor is selected, subject to the negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, **can only be used in procurement of A/E professional services**. It cannot be used to purchase other types of services though A/E firms are a potential source to perform the proposed effort.

Noncompetitive Proposal Procurement

After solicitation is made to several sources and competition is determined inadequate, procurement through solicitation from only one source may be permitted, however purchase will require pre-award review by the City. One of the following circumstances must apply:

- The item is available only from a single source.
- The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation.
- After solicitation of several sources, competition is determined inadequate.
- Cost or price analysis verifying the following is required:
 - Proposed cost data
 - Projections of the data
 - Evaluation of the specific elements of costs and profits

Bonding

For construction or facility improvement (sub)contracts exceeding the Simplified Acquisition Threshold the following bonding requirements apply:

- a) A bid guarantee equivalent to 5 percent of the bid price from each bidder. The “bid”

guarantee” must be a firm commitment in the form of a bid bond, certified check, or other negotiable instrument as assurance that the bidder is prepared to execute a contract within the time specified for the bid amount.

- b) A performance bond from the (sub)contractor for 100 percent of the contract price to secure the (sub)contractor’s fulfillment of all obligations under the contract.
- c) A payment bond from the (sub)contractor for 100 percent of the contract price to assure payment of all persons supplying labor and material under the contract.

Contracting With Small, Minority And/Or Women-Owned Businesses (MBE and WBE)

Federal regulations for HUD entitlement grants (CDBG, ESG, and HOME) make it very clear that grant recipients and subrecipients should make every effort to use local business firms and contract with small, minority-owned and/or women-owned businesses while following the procurement process. Affirmative steps to use small firms, minority-owned firms, women-owned firms, or labor surplus area firms in its federally funded activities must be taken. The efforts should include:

- Incorporating such businesses in solicitation lists.
- Ensuring that such businesses are solicited when identified as potential sources.
- Dividing procurement requirements, when economically feasible, permitting maximum participation of such businesses.
- Requiring prime contractors, when subcontracts are used, to take affirmative steps to select such firms.

Nondiscrimination In Employment By Government

Contractors and all subcontractors are required to comply with Executive Order 11246 - Nondiscrimination in Employment by Government. The order requires contractors and subcontractors to refrain from discrimination and take affirmative steps to ensure that applicants and employees receive equal employment opportunity regardless of race, color, religion, sex, and/or national origin. Construction contractors and subcontractors must make good faith efforts to employ women and minorities in all crafts and trades in their area where the contracts are to be performed and must also fully document their affirmative action efforts. In addition, sexual harassment is also a violation of the nondiscrimination provisions of this Executive Order.

Targeted Use Of Local Businesses And Low- And Very Low-Income Persons

In conformance with the requirements of Section 3 of the Housing and Community *Development Act of 1968*, to the greatest extent feasible, contracts must be awarded to eligible *business concerns located in or owned by residents of the target area*. Doing so better ensures that the employment and economic opportunities generated by federal financial assistance for housing and community development programs, to the greatest extent feasible, are directed toward low- and very low-income persons, particularly those who are recipients of governmental assistance for housing. It is important to note that the desire to award contracts to local firms is *not* a legitimate excuse to avoid an open and competitive procurement process.

The preferences provided under this section are based on income level and location. To

the greatest extent feasible, agencies must direct economic opportunities to low- and very low- income persons, particularly persons who are recipients of HUD assistance for housing. As part of signing an Agreement with the City, agencies are certifying that they will comply with the regulations in part 135, which assure that the objectives of Section 3 are met.

CIVIL RIGHTS COMPLIANCE

Nondiscrimination

In the provision of either employment or services, agencies who receive HUD funds must comply with federal, state and city laws and regulations regarding nondiscrimination. Agencies must have policies and procedures to protect the rights of all individuals, employees, and clients. Agencies must not discriminate on the basis of:

- Age
- Disability
- Marital Status
- Sex
- Color
- Familial Status
- National Origin
- Sexual Orientation
- Creed
- Gender
- Identity
- Race

Employment Solicitations

All solicitations for employment must state that all qualified applicants will be considered. The words “equal opportunity employer” in advertisements will constitute compliance with this section.

Grievance and Complaint Procedures

Subrecipients must have or establish grievance and complaint processes and procedures. The process must allow current employees, applicants, or members of the public who believe they have been discriminated against on the basis of a disability to report the incident. The process is subject to review by the City and at a minimum must:

- Be available to any individual requesting a copy.
- Comply with federal law regarding discrimination.
- Be in writing.
- Include both an informal and formal resolution process, including arbitration.
- Include timelines for filing a grievance or a complaint.
- Include timelines for response or action.

Limited English Proficiency (LEP)

Receipt of funds requires a Subrecipient to take reasonable steps to provide meaningful access to persons with limited English proficiency.

Notice Of Nondiscrimination

Subrecipients must notify each person applying for or receiving services that per federal

HUD Entitlement Policies & Procedures

law:

- No otherwise qualified individual with a disability shall, solely by reason of his or her disability, be excluded from the participation in, be denied the benefits of, or be subjected to discrimination.
- Each person has the right to file a complaint, if they believe that they have been discriminated against in any program funded, in part or whole with HUD funds.
- Each person must be informed where they may file such a complaint.
- Notices must be posted in all work areas and must be visible to the public. In rental offices and other appropriate locations, agencies must display the [HUD fair housing poster](#).

Accessibility Requirements

Participation in the City's HUD-funded program requires adherence to [federal regulations](#) governing the accessibility of buildings, facilities and programs. In many cases, new construction rental projects must meet multiple accessibility construction requirements. Where two or more accessibility standards apply, the housing provider is required to follow and apply all standards, so that maximum accessibility is obtained.

Fair Housing

Under the Fair Housing Act, HUD is obligated to uphold fair housing laws and requires grantees of HUD entitlement grants (CDBG, ESG, and HOME) funding to commit to furthering fair housing within their community. As part of this commitment grantees are required to conduct an Analysis of Impediments to Fair Housing Choice (AI) and take appropriate actions to overcome any impediments to fair housing identified through the AI process. Fair housing laws assist in eliminating racial and ethnic segregation, illegal physical barriers, barriers to persons with disabilities, and discriminatory practices in housing. The grantee is encouraged to complete an AI with the update of their Consolidated Plan every five years.

Fair Housing regulations can be found on HUD's website at www.hud.gov. There is also a Fair Housing Planning Guide available on the website that provides fair housing information and assists in the completion of an AI.

Section 504 Of The Rehabilitation Act Of 1973, As Amended.

Recipients are required to take affirmative steps to ensure that qualified persons with disabilities are informed of the availability of program services and activities, and the Recipient's activities or services are readily accessible to, and usable by, individuals with disabilities. Recipients must provide handicapped persons with benefits and services that are as effective as those provided to non-handicapped individuals. They must ensure that HUD entitlement grants (CDBG, ESG, and HOME) programs and activities are accessible, both structurally and administratively, to handicapped and disabled persons. Recipients are responsible for providing access to handicapped/disabled persons in four areas: communications, employment opportunities, program benefits, and physically accessible housing. Section 504 regulations can be found on HUD's website.

OUTCOME DATA COLLECTION

Monitoring Overview

Monitoring is an ongoing process. Monitoring starts at the pre-award selection process and continues throughout the term of the Agreement. In some situations, monitoring will continue beyond the term of the Agreement, as a requirement of a major acquisition or construction project, or pending any litigation, claim, or ongoing audit. Monitoring includes a review of records, files, and signed assurances, as well as reports generated specifically to document client and project eligibility. All supporting documentation, such as information submitted with cost reimbursement requests is reviewed, as a component of monitoring. As part of the monitoring process onsite visits may be scheduled to observe programming, interview program staff, and review program documents. Based on the results of the monitoring the City may offer technical assistance to avoid or resolve any monitoring findings. The City will notify agencies of its intent to monitor and provide a checklist of items to be reviewed far in advance of the monitoring. At times HUD staff may also request or participate in onsite visits.

Monitoring Objectives

Monitoring objectives are to determine if agencies are:

- Carrying out federally funded activities as described in contracts.
- Carrying out the program or project in a timely manner.
- Maintaining the capacity to carry out the approved program or project.
- Charging eligible costs to the program or project.
- Complying with other applicable laws, regulations, and terms of the contract.
- Conducting the program in a manner that minimizes the opportunity for fraud, waste, and mismanagement.

Areas To Be Monitored

Areas to be monitored may include:

- Adherence to National Objectives/Program Objectives
- Activity and/or Participant Eligibility
- Adherence to Scope of Services
- Program Goals and Performance
- Budget Adherence and Performance
- Record Keeping Systems such as filing systems; documentation of activities, costs, and beneficiaries.
- Financial and Accounting Management Systems
- Internal Controls
- Insurances
- Procurement Procedures
- Equipment Inventory
- Non-Discrimination and Actions to Further Fair Housing

Post-Monitoring Actions

Following a monitoring, the City will share results of areas of concerns or findings with the Subrecipient. Areas of concerns are not deficiencies in statutory or regulatory requirements, but they do bring attention to areas of improvement that if not addressed could be the subject of findings in future program reviews. Findings are made when there is non-compliance with statutory, regulatory, or established policy requirements. Findings require a response and must be resolved by implementing specific corrective actions. The City will help Subrecipients identify problems and potential solutions to address areas of concerns and rectify findings. Failure by the Subrecipient to correct deficiencies may result in funds being withheld and possible restrictions on future grants.

The results of the monitoring visit will be provided in a monitoring letter following the visit. If corrective actions are required, the Subrecipient must submit a response to the City within thirty (30) days from the monitoring result letter. Sometimes, as in the case of a material breach, the City may require an immediate corrective action plan and its implementation to avoid termination.

Record-Keeping, Reporting, and Documentation

Subrecipients are required to maintain sufficient records determining Program requirements have been complied with and met. Subrecipients are also required to submit Statistical & Accomplishment Report as detailed in the Agreement. There are certain data elements commonly reported by all programs, although each program may require different specificity. These elements may include:

- Number of persons, households, units, or beds assisted, as appropriate.
- Income levels of persons or households per applicable program requirements.
- Race and ethnicity of clients served.
- Amount of money leveraged from other federal, state, local, and private sources.
- The status and accomplishments of a project. Some examples of performance measurements include:
 - Total number of square feet, linear feet, ramps, etc., constructed or installed.
 - Number of houses rehabilitated.
 - Number of jobs filled, training classes held, clients treated.
 - Description of equipment or training supplies purchased.

For Rental Construction Projects, the Subrecipient shall collect and maintain the following information:

- Number of units completed
- Number of units meeting energy star standards
- Number of Section 504 accessible units
- Number of units designated for persons with HIV/AIDS (of those, the number for the chronically homeless)
- Number of units designated for the homeless (of those, the number for the chronically homeless)
- Name of the household or person assisted

- Number of bedrooms in each household assisted
- The amount of monthly rent paid by tenant
- Income level of assisted household
- Race of head of household
- If the head of household is Hispanic/Latino ethnicity
- Household size – number of persons in the household
- Household type (single/non-elderly; elderly; single parent; two parents; other)

Records to Keep

Subrecipient shall maintain all records required by the Federal regulations specified in [24 CFR 570.506](#) and [24 CFR 92.508](#) pertinent to the activities that are funded through the City's HUD grant award. If the Subrecipient has received multiple grant awards, then the Subrecipient must maintain a separate file for each funded project. Such records shall include but are not limited to:

- Records providing a full description of each activity undertaken.
- Records demonstrating that each activity undertaken meets Program Objectives and/or goals.
- Records determining the eligibility of activities and/or participants.
- Records documenting the acquisition, improvement, use or disposition of real property acquired or improved Program funds.
- Records documenting compliance with the Fair Housing and Equal Opportunity components.
- Finance records as required by [24 CFR 570.502](#) and [24 CFR 84](#).
- Records of the Subrecipient's affirmative action in equal opportunity employment, and its good faith efforts to identify, train, and/or hire lower-income residents of the project area and to utilize businesses that are located in or owned in substantial part by persons residing in the area of the project.

Record Retention

The SUBRECIPIENT shall retain all financial records, supporting documents, statistical records, and all other records pertinent to the funded activity(ies) in accordance with [24 CFR 570.506](#) and [24 CFR 92.508](#) except that the CITY requires a retention period of at least five (5) years. The retention period begins on the date of the submission of the CITY's annual performance and evaluation report (i.e. CAPER) to HUD in which the activities assisted during the fiscal year are reported on. Notwithstanding the above, if there is litigation, claims, audits, negotiations, or other actions that involve any of the records cited and that have started before the expiration of the five-year period, then such records must be retained until completion of the actions and resolution of all issues, or the expiration of the five-year period, whichever occurs later.