

Town of Hamden  
Community Development  
Block Grant  
(CDBG)  
Policies & Procedures  
Manual

January 1, 2023

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## **Section 1. Introduction**

The Community Development Block Grant (CDBG) program is a federal program that began its operation in 1974 as a means to consolidate a number of smaller categorical programs. It is one of the longest running programs by the U.S. Department of Housing and Urban Development (HUD). This federal program provides state and local governments with grants to develop and implement innovative and constructive strategies that improve the physical, economic, and social conditions within communities. Funds must meet one of three National Objectives. The majority of funds, a minimum of 70%, must provide benefit to low and moderate income persons. The other two objectives, removal of slum and blight and Urgent Need, may not exceed 30% of the funds (total funding less administration) in any given year.

The Town of Hamden ("Town") is an entitlement community in the CDBG Program and, as a result, receives formula funding on an annual basis. Through this program, activities are funded to improve public facilities, provide public services and expand affordable housing opportunities.

CDBG funds may be used for activities which include, but are not limited to:

- Acquisition of real property
- Demolition
- Rehabilitation of residential and non-residential structures
- Construction of public facilities and improvements, such as water and sewer facilities, streets, neighborhood centers, and the conversion of school buildings for eligible purposes
- Public services (not to exceed 15% of the grant funds annually)
- Provision of assistance to nonprofit and profit-motivated businesses to carry out economic development and job creation/retention activities

Generally, the following types of activities are ineligible:

- Acquisition, construction, or reconstruction of buildings for the general conduct of government
- Political activities
- Certain income payments
- Construction of new housing (with some exceptions)

Individual households, nonprofit organizations and for-profit businesses are eligible to receive CDBG funding. This Policy & Procedures Manual establishes the framework for allocation of funds and guides the operation of the Town's CDBG Program. It is intended to provide program staff, applicants, reviewing entities, and decision-makers with the basic criteria for entry, selection, and management of the CDBG program.

This manual may be amended from time to time as the Town encounters situations which either need to be standardized, clarified, or, in some cases, where there is an apparent need to ensure the limited resources of the program are prudently applied. Additionally, this manual may be amended if new program guidance, regulatory changes or new statutory regulations are issued by HUD.

This manual provides step-by-step guidance on eligible CDBG activities from planning the program year through required on-going monitoring of completed projects. It is divided into the following sections:

Section 1. Introduction

Section 2. Organizational Structure

Section 3. Fiscal Controls & Oversight

Section 4. Planning the Program Year

Section 5. Issuance of Request for Proposals

Section 6. Intake and Review of Applications

Section 7. Preparation of Consolidated and Annual Action Plans

Section 8. Federal Requirements for All Projects

Section 9. Project Approval and Execution of Agreements

Section 10. Managing Construction and Reimbursements

Section 11. Annual Reports

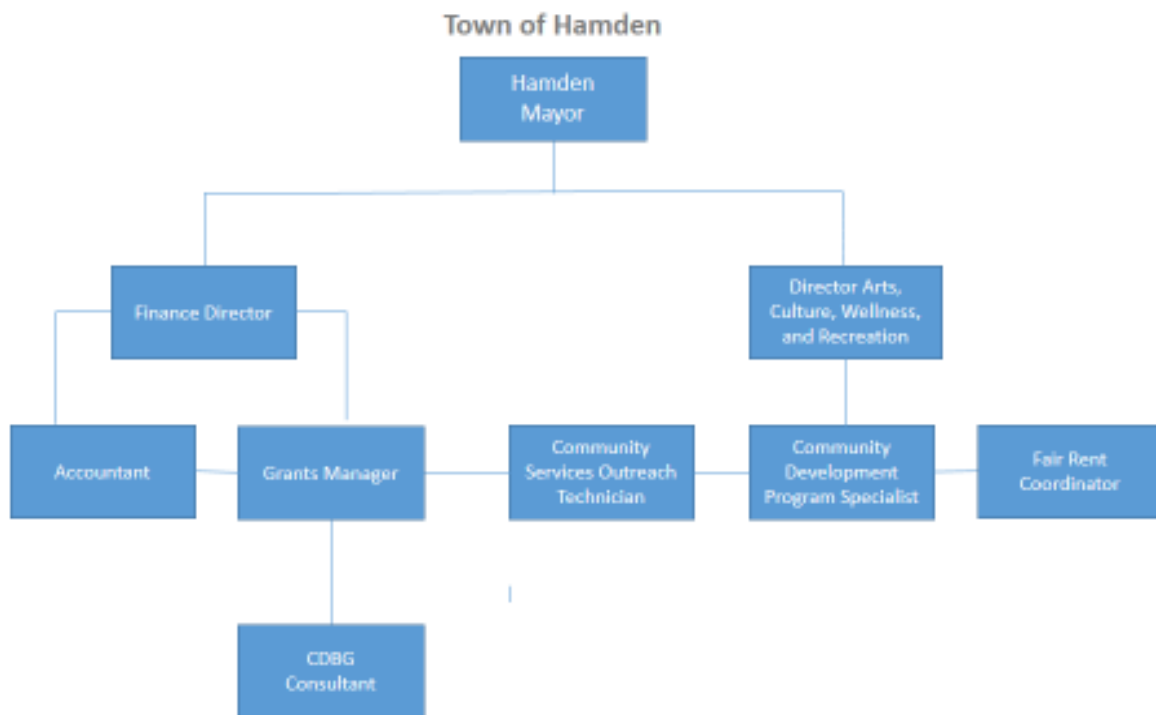
Section 12. Monitoring

In each section the manual provides an overview of the statutory and programmatic requirements, and any necessary background on relevant requirements. The manual focuses on regulatory compliance and provides references, where necessary, for additional resources related to other requirements.

## Section 2. Organizational Structure

The chart below shows the organizational structure and functions of the Arts, Culture, Recreation, and Wellness (Health and Human Services) Department.

### Organizational Chart



Community Development Block Grant  
Organizational Chart

During the year, the staff will undertake a variety of functions to ensure the timely implementation and administration of the grant funds. A typical year for Town of Hamden, July 1 to June 30, consists of the following:

| <b><i>July</i></b>                                                                                                                                                                                                                                                                                                                              | <b><i>August</i></b>                                                                                                                                                                                                                                                |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• PY begins July 1</li> <li>• CAPER process for previous PY begins</li> <li>• Publish Finding of No Significant Impact (FONSI) and Request for Release of Funds (RROF) for Environmental Review Report (ERR)</li> <li>• File quarterly cash on hand report (Q4 prior fiscal year) due July 20</li> </ul> | <ul style="list-style-type: none"> <li>• Release of Funds received for ERR</li> </ul>                                                                                                                                                                               |
| <b><i>September</i></b>                                                                                                                                                                                                                                                                                                                         | <b><i>October</i></b>                                                                                                                                                                                                                                               |
| <ul style="list-style-type: none"> <li>• Submit CAPER for previous PY</li> <li>• Publish Notice for Public Hearing/CAPER available for inspection</li> <li>• Receive comments on CAPER</li> <li>• File annual 425 report (prior year)</li> </ul>                                                                                                | <ul style="list-style-type: none"> <li>• Semiannual labor compliance report (labor compliance office HUD)</li> <li>• Contractor/subcontractor report Fair Housing Equal Opportunity to HUD</li> <li>• File quarterly cash on hand report (Q1) due Oct 20</li> </ul> |
| <b><i>November</i></b>                                                                                                                                                                                                                                                                                                                          | <b><i>December</i></b>                                                                                                                                                                                                                                              |
| <ul style="list-style-type: none"> <li>• Begin Annual Action Plan process</li> </ul>                                                                                                                                                                                                                                                            | <ul style="list-style-type: none"> <li>• 1st Public Hearing held</li> </ul>                                                                                                                                                                                         |
| <b><i>January</i></b>                                                                                                                                                                                                                                                                                                                           | <b><i>February</i></b>                                                                                                                                                                                                                                              |
| <ul style="list-style-type: none"> <li>• Cash on hand report due Jan 20</li> </ul>                                                                                                                                                                                                                                                              | <ul style="list-style-type: none"> <li>• Release Public Service Agency Request for Proposal (RFP)</li> </ul>                                                                                                                                                        |

| <b><i>March</i></b>                                                                                                                                                  | <b><i>April</i></b>                                                                                                                                                                                                                                                                                                  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Complete Draft AAP</li> </ul>                                                                                               | <ul style="list-style-type: none"> <li>• Publish summary of AAP/Notice of Public Hearing/30-day Comment Period for AAP</li> <li>• Semiannual labor compliance report (labor compliance office HUD)</li> <li>• Cash on hand report (PR29) (fiscal) due Apr 20</li> <li>• HUD does timeliness test April 30</li> </ul> |
| <b><i>May</i></b>                                                                                                                                                    | <b><i>June</i></b>                                                                                                                                                                                                                                                                                                   |
| <ul style="list-style-type: none"> <li>• Approve AAP</li> <li>• Submit AAP through IDIS</li> <li>• Start ERR process - send agency letters, begin 30 days</li> </ul> | <ul style="list-style-type: none"> <li>• Prepare ERR</li> <li>• Review procurement needs</li> </ul>                                                                                                                                                                                                                  |

**NOTE:**

- Program Year (PY) is Jul 1 - Jun 30
- Annual Plan (AP) due to HUD 45 days prior to start of PY
- Environmental Review Record (ERR) initiated when AAP is submitted to HUD
- ERR should be completed by the end of the 1st month of PY
- Consolidated Annual Performance and Evaluation Report (CAPER) due to HUD 90 days after PY ends

To accomplish these tasks, the CDBG program requires that staff coordinate a number of activities throughout the year. Many of these tasks require that one or more staff have access to the Integrated Disbursement and Information System (IDIS). See Section 3 for more detail.

| Task                                       |                                                                                                                                                                                                                           |  | Responsible Staff Member                 |
|--------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|------------------------------------------|
| <b>Task 1: Issue Request for Proposals</b> |                                                                                                                                                                                                                           |  |                                          |
| 1.1                                        | Review and Revise RFP                                                                                                                                                                                                     |  | Community Development Program Specialist |
| 1.2                                        | Solicit Proposals <ul style="list-style-type: none"> <li>• Publication of Notice</li> <li>• Distribution of Notice to organizations</li> <li>• Inform Community Development Citizen Advisory Committee (CDCAC)</li> </ul> |  | Community Development Program Specialist |
| 1.3                                        | RFP Workshop/First Public Hearing <ul style="list-style-type: none"> <li>• Arrange space</li> <li>• Audio/visual equipment</li> </ul>                                                                                     |  | Community Development Program Specialist |
| <b>Task 2: Review of Application</b>       |                                                                                                                                                                                                                           |  |                                          |
| 2.1                                        | Review for Qualifying Criteria                                                                                                                                                                                            |  | Community Development Program Specialist |
| 2.1 (a)                                    | Eligibility §570.201-206                                                                                                                                                                                                  |  |                                          |
| 2.1 (b)                                    | National Objective §570.208                                                                                                                                                                                               |  |                                          |
| 2.1 (c)                                    | Completeness of application                                                                                                                                                                                               |  |                                          |
| 2.1 (d)                                    | Priority unmet need                                                                                                                                                                                                       |  |                                          |
| 2.1 (e)                                    | Concise and measurable goals                                                                                                                                                                                              |  |                                          |



|         |                          |  |  |
|---------|--------------------------|--|--|
| 2.1 (f) | Leverage funding         |  |  |
| 2.1 (g) | One-time funding request |  |  |

| Task 3: Preparation of Annual Action Plan                       |                                                                                                           |  |                                          |
|-----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|--|------------------------------------------|
| 3.3                                                             | Preparation of Annual Action Plan                                                                         |  | Grants Manager                           |
| 3.3.1                                                           | Identify activities to fund                                                                               |  |                                          |
| 3.3.2                                                           | Using IDIS, download template and address questions                                                       |  |                                          |
| 3.3.3                                                           | Advertise and Display Draft Plan for 30 days                                                              |  |                                          |
| 3.3.4                                                           | Hold 2 <sup>nd</sup> Public Hearing to receive comment                                                    |  |                                          |
| 3.3.5                                                           | Address comments received on Plan                                                                         |  |                                          |
| 3.3.6                                                           | Seek local governing body approval                                                                        |  |                                          |
| 3.3.7                                                           | Submit final plan in IDIS                                                                                 |  |                                          |
| 3.3.8                                                           | Submit executed SF 424 and Certifications to HUD                                                          |  |                                          |
| Task 4: Preparation of Environmental Review                     |                                                                                                           |  |                                          |
| 4.1                                                             | An Environmental Review Record must be established for each activity identified in the Annual Action Plan |  | Community Development Program Specialist |
|                                                                 | Determine level of review required for each activity                                                      |  |                                          |
|                                                                 | Document National Environmental Policy Act (NEPA) criteria as required                                    |  |                                          |
|                                                                 | Public Notices as required                                                                                |  |                                          |
|                                                                 | Submit Request for Release of Funds form to HUD if required                                               |  | Grants Manager                           |
| Task 5: Receipt of Grant Funds and Set up Local Budget Accounts |                                                                                                           |  |                                          |

|                                                                                  |                                                                                                                                                                                |  |                                          |
|----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|------------------------------------------|
| 5.1                                                                              | When received, execute HUD Funding Agreement and return 3 copies to HUD                                                                                                        |  | Finance Department, or designee          |
|                                                                                  | Set up local budget as required                                                                                                                                                |  | Finance Department, or designee          |
|                                                                                  |                                                                                                                                                                                |  |                                          |
| <b>Task 6: Enter into Agreements with Sub recipients and Interdepartmentally</b> |                                                                                                                                                                                |  |                                          |
| 6.1                                                                              | Prepare sub recipient agreements – <b>do not execute prior to HUD approval</b> of Annual Action Plan and receipt of both Funding Approval and ERR Release of Funds as required |  | Community Development Program Specialist |
|                                                                                  | Send Agreements to sub recipients and other departments administering CDBG activities                                                                                          |  | Community Development Program Specialist |
|                                                                                  | Town signs agreements and sets up Purchase Orders for each sub recipient                                                                                                       |  | Town Attorney/Outreach Technician        |
| <b>Task 7: Program implementation and monitoring - Public Services</b>           |                                                                                                                                                                                |  |                                          |
| 7.1                                                                              | Meet with sub recipients and other departments to ensure they understand the scope and budget for their activity and reporting responsibilities                                |  | Community Development Program Specialist |
| 7.2                                                                              | Monitor activities through regular communication monthly or quarterly as needed                                                                                                |  | Community Development Program Specialist |

|     |                                                                                                                                                                                                                                                   |  |                     |
|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---------------------|
| 7.3 | Review invoicing to ensure that requests are well documented, costs are reasonable and consistent with the agreement and that procurement requirements have been followed as needed. (Timesheets, original invoices and other documents required) |  | Outreach Technician |
| 7.4 | Obtain quarterly reports and annual unduplicated beneficiaries reports                                                                                                                                                                            |  | Outreach Technician |

|                                                                                             |                                                                                                                                                      |  |                                          |
|---------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|--|------------------------------------------|
| 7.5                                                                                         | Conduct on-site monitoring of each agency no less than annually. Based on Risk Assessment, monitoring may be more frequent.                          |  | Community Development Program Specialist |
| <b>Task 8: Program implementation and monitoring – Public Facilities and Infrastructure</b> |                                                                                                                                                      |  |                                          |
| 8.1                                                                                         | Meet with sub recipients and other departments to ensure they understand the scope and budget for their activity and reporting responsibilities      |  | Community Development Program Specialist |
| 8.2                                                                                         | If project requires engineering or architectural design, determine who is responsible – procurement of professional services required if CDBG-funded |  | Community Development Program Specialist |
| 8.3                                                                                         | Bid ad and documents must be reviewed to ensure they include all CDBG-required clauses and wage rates.                                               |  | Finance Department, or designee          |
| 8.4                                                                                         | Bid advertisement –outreach required (also Sec 3 if over \$100,000)                                                                                  |  | Finance Department, or designee          |
| 8.5                                                                                         | Check for wage rate updates up to 7 business days prior to bid opening                                                                               |  | Finance Department, or designee          |
| 8.6                                                                                         | Receive and review bids:<br>a. Debarment – contractors and subs must be reviewed<br><a href="http://www.SAM.gov">www.SAM.gov</a>                     |  | Finance Department, or designee          |
| 8.7                                                                                         | Award bids                                                                                                                                           |  | Finance Department, or designee          |
| 8.8                                                                                         | Hold pre-bid conference to explain labor compliance, Sec                                                                                             |  | Finance Department, or designee          |

|                                 |                                                                                                                            |  |                     |
|---------------------------------|----------------------------------------------------------------------------------------------------------------------------|--|---------------------|
|                                 | 3 hiring preferences and other requirements                                                                                |  | Outreach Technician |
| 8.9                             | Review Payroll forms throughout project                                                                                    |  |                     |
| 8.10                            | Inspect work in progress, invoicing and final draw<br><br>Invoicing must be consistent with work and/or materials in place |  | Outreach Technician |
| 8.11                            | Draw down funds monthly in IDIS to reimburse the Town for invoices paid                                                    |  | Outreach Technician |
| 8.12                            | After final payment, complete activity in IDIS and close PO.                                                               |  | Outreach Technician |
| 8.13                            | Public facilities must be monitored for beneficiary data for the year following project completion                         |  | Outreach Technician |
| <b>Task 9: Annual Reporting</b> |                                                                                                                            |  |                     |
| 9.1                             | CAPER must be prepared in IDIS                                                                                             |  | Outreach Technician |
| 9.1.1                           | Complete and update status of all activities in IDIS                                                                       |  | Outreach Technician |
| 9.2                             | Semi-Annual Labor Standards Report –Due April and October for all projects using Davis-Bacon Wage rates                    |  | Outreach Technician |
| 9.3                             | Annual Contractor/Subcontractor reporting for all projects over \$10,000                                                   |  | Outreach Technician |
| 9.4                             | Quarterly Finance report PR29 – cash on hand report                                                                        |  | Grants Manager      |

|                |                                                                                                                |  |                        |
|----------------|----------------------------------------------------------------------------------------------------------------|--|------------------------|
|                |                                                                                                                |  |                        |
| <b>Task 10</b> | <b>Fiscal Management</b>                                                                                       |  |                        |
| 10.1           | Develop and maintain a system to track CDBG projects to ensure timeliness                                      |  | Grants Manager         |
| 10.2           | At least quarterly review PR 01 to evaluate timeliness and use of Administrative funds relative to the 20% cap |  | Grants Manager         |
| 10.3           | Reconciliation with Town Treasurers records                                                                    |  | Finance Jr. Accountant |
| 10.4           | Maintain chart of accounts based on CDBG budget and expenditures that ties into IDIS                           |  | Finance Jr. Accountant |

### Section 3. Fiscal Controls and Oversight

Fiscal and administrative requirements for the CDBG program fall under 2 CFR Part 200, the federal *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Sections of 2 CFR Part 200 Subpart E address the full spectrum of administration of the grant funds. Subpart D – Post Federal Award Requirements outlines procurement requirements. Each grantee is expected to have a Procurement Plan which outlines specific local requirements along with the compliance required under Part 85 and 2 CFR Part 200. Subpart E, cost principles, when combined with the CDBG eligibility requirements, provides guidance on what items are allowable for activities. Audit requirements are detailed in Subpart F, with a Single Audit required for any entity that receives in excess of \$750,000 in federal funds in a program year.

The objectives of internal control pertaining to the compliance requirements for Federal programs (Internal Control) are found at 2 CFR Part 200.61:

Internal control means a process, implemented by a non-Federal entity, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- (a) Effectiveness and efficiency of operations
- (b) Reliability of reporting for internal and external use, and,
- (c) Compliance with applicable laws and regulations.

**Control Activities** are the policies and procedures that help ensure that management's directives are carried out.

- Operating policies and procedures clearly written and communicated
- Procedures in place to implement changes in laws, regulations, guidance, and funding agreements affecting Federal awards
- Management prohibition against intervention or overriding established controls
- Adequate segregation of duties provided between performance, review, and recordkeeping of a task
- Personnel with adequate knowledge and experience to discharge responsibilities
- Equipment, inventories, cash, and other assets secured physically and periodically counted and compared to recorded amounts
- If there is a governing legislative committee, the committee conducts regular meetings where Finance information is reviewed and the results of program activities and accomplishments are discussed. Written documentation is maintained of the matters addressed at such meetings.



### **3.1 Organizational Controls**

The CDBG program requires a significant degree of oversight and management. To this end, the Town has created Community Development Program Specialist and Outreach Technician positions to implementing the program. These positions will report to the Director of Arts, Culture, Recreation, and Wellness (Human Services). Together they will be responsible for the implementation of the program and execution of all reports, contracts, and requirements as outlined in this policies and procedures manual. They will coordinate other Town departments, non-profit partners, and the Community Development Citizens Advisory Commission. The Grants Manager will ensure compliance with all HUD guidelines, policies, procedures, and reporting requirements.

The Town has engaged a consultant to assist with the administration of the program, preparation of the Annual Action Plan, Environmental Review, and provide other technical assistance as needed.

The program year schedule in Section 2 describes the Annual Action Plan cycle and reports that are due throughout a program year.

The Integrated Disbursement and Information System (IDIS) is the system used by HUD to track progress of activities and disburse funds. The system is also used to enter and amend the Annual Action Plan for any given year and to produce the Consolidated Annual Performance and Evaluation Report (CAPER) at the end of each program year. IDIS is not a Finance management system and does not replace local Finance recordkeeping. To ensure that there are adequate controls, there will be a separation of duties in the functions:

- A. Annual Action Plan (includes Project Set-Up): The Grants Manager, with assistance from the Community Development Program Specialist, and support from the Outreach Technician, shall prepare the Annual Action Plan; the Grants Manager will be responsible for submission through IDIS and for submitting the required signature pages to HUD.
- B. Activity Set Up: The Outreach Technician will set-up and fund activities in IDIS per the Annual Action Plan.
- C. Update Activities and Report Beneficiaries: The Outreach Technician will enter reports on beneficiaries and complete activities in IDIS when the activities are completed and all payments have been made. No less than annually will every activity be updated.
- D. Drawdowns: The Outreach Technician will be responsible for entering drawdowns in IDIS. These draws will be based on actual expenses that the Town has paid consistent with paragraph 8 below. Prior to submitting drawdowns, the Grants Manager and the Finance Department must verify that the expenses are reconciled to the Town's general ledger reports and that all program income has been expended before funds are drawn down.

- E. Approval of Drawdowns: The Grants Manager will be responsible for reviewing and approving IDIS drawdowns requested by the Outreach Technician.

The Town's Finance Department is responsible for cutting checks for payment of all expenses and recording of all funds received from HUD. The funds drawn from the HUD or received from Program Income will be used to reimburse funds paid out by the Town.

### **3.2. Eligible Administration and Delivery Costs**

The Town may spend up to 20% of the program year grant plus up to 20% of any program income received in that year for program administration. Any funds allocated for administration not spent or encumbered in that program year that are carried into another program year will be counted toward the 20% for that subsequent year.

Administrative costs are those related to the overall management of the CDBG program. Delivery costs, as described below, may also be charged for the time that staff spends in implementation of program activities; however, such costs are also eligible under administration. All personnel must maintain timesheets to document that part of their day was spent on CDBG activities, either administrative or delivery. Any delivery time shall be identified by the specific activity.

Specifically, CDBG administration, defined in 24 CFR Part 570.206, includes the following and shall be used by the Town to determine administrative costs:

- a) General Management, oversight, and coordination including:
  - 1) Salaries, wages, and related costs involved in:
    - i) Providing local officials and citizens with general information about the program
    - ii) Preparing program budgets, schedules, amendments
    - iii) Developing systems for compliance
    - iv) Developing interagency agreements
    - v) Monitoring program activities
    - vi) Preparing reports for submission to HUD
    - vii) Coordinating the resolution of findings of audits
    - viii) Evaluating program results
    - ix) Managing and supervising persons whose primary responsibility includes the above tasks
  - 2) Travel costs

- 3) Administrative services of third-parties
- 4) Other goods and services required for administration including rental or purchase of equipment, utilities, supplies and maintenance of office space
- b) Public Information
- c) Fair Housing
- d) Indirect costs
- e) Submission of applications for federal programs and documents required by HUD

### **3.3 Delivery Costs**

Time charged to program delivery may include but is not limited to: the time to meet with parties involved in the activity, coordinate actions needed to complete the activity (i.e. schedule owner and contractor for a pre-construction meeting), prepare bid specs, document income and homeownership qualification, meet with contractors to provide information on the program as well as on specific activities, and drive time between project sites.

Other program delivery costs may include, but is not limited to:

- a) Architectural, engineering or related professional services required to prepare plans, drawings or specifications for a project
- b) Costs to process and settle the financing for a project, such as private lender origination fees, credit reports, fees for title evidence, recordation and filing fees for legal documents, building permits, attorney fees, appraisal costs, and fees for an independent cost estimate or developers fees
- c) Cost of a project audit that the Town may require with respect to the development of the project
- d) Initial operating reserves
- e) Impact fees charged
- f) Environmental review or preparation of site specific checklist, review for historic qualification and impact of specifications
- g) Advertising for bids
- h) Relocation costs and administration

Certain types of activities do not have corresponding delivery cost components. These include planning activities and oversight of sub recipients engaged in public services. When engaged in these activities, time is charged to Administration.

Reference: 24 CFR Part 570.502

### **3.4 Indirect Costs and Cost Allocation Plans**

The Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, 2 CFR Part 200, Appendix V and VII, describe the method of allocating Centralized Service Costs and Indirect Costs to the grant programs. Indirect costs include (a) the indirect costs originating in each department or agency of the governmental unit carrying out Federal awards and (b) the costs of central governmental services distributed through the central service cost allocation plan and not otherwise treated as direct costs. When the grant programs are performed within the individual operating agencies, there needs to be a process whereby these costs can be identified and assigned to benefitted activities on a reasonable and consistent basis. The central service cost allocation plan provides that process. All costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records that will support the propriety of the costs assigned to Federal Awards.

Guidelines and illustrations of central service cost allocation plans are provided in a brochure published by the Department of Health and Human Services entitled "A Guide for State, Local and Indian Tribal Governments: Cost Principles and Procedures for Developing Cost Allocation Plans and Indirect Cost Rates for Agreements with the Federal Government." A copy of this brochure may be obtained from the HHS Cost Allocation Services or at their Web site at <https://rates.psc.gov>

This plan must be made available for review and audit.

[https://www.law.cornell.edu/cfr/text/2/appendix-V to part 200](https://www.law.cornell.edu/cfr/text/2/appendix-V%20to%20part%20200)

[https://www.law.cornell.edu/cfr/text/2/appendix-VII to part 200](https://www.law.cornell.edu/cfr/text/2/appendix-VII%20to%20part%20200)

### **3.5. Other Eligible Costs**

The Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, 2 CFR Part 200, Subpart E, describes the allowable costs that may be incurred associated with the federal grant programs.

<https://www.law.cornell.edu/cfr/text/2/part-200>

All costs must be documented and be related to the activity and its objective. There shall be no conflict of interest, either through appearance or in fact, in the administration of the program.

### **3.6. Timeliness**

HUD will measure the expenditure rate of the CDBG program 60 days prior to the completion of the program year. Since Town of Hamden's annual program years ends June 30th, the measure is taken on April 30th of each year. At that point, the Town is

expected to have not more than 1.5 times the allocation for that program year in its Letter of Credit.

For example, if the allocation is \$1,000,000, then the Letter of Credit may not be more than \$1,500,000. If a community has more than 1.5 times its allocation at that time, a warning is issued by HUD and if the situation cannot be remedied by the end of the program year, then HUD may recapture any funds in excess of the proscribed amount. Generally, a one-year grace period is extended. Failure to perform by the second year may result in HUD exacting a penalty unless there are extenuating circumstances.

To avoid problems, the Finance Jr. Accountant maintains a tracking system of budgets and line item balances that the Grants Manager can reference to ensure that projects are being completed in a timely manner.

### **3.7. Cash Management for Timely Disbursement of Funds**

CDBG funds are disbursed on a reimbursement basis against actual costs incurred. The Town has three business days to disburse funds received from HUD. The Town may elect to seek reimbursement for expenses paid by the Town pending receipt of funds from HUD to ensure timeliness.

Any program income received shall be used prior to drawing funds from HUD.

### **3.8. Individual Activity Set-up in IDIS**

IDIS is used to disburse funds as well as record accomplishments. The Town will receive its grant award and use IDIS to assign the grant award to individual activities. Through the Annual Action Plan, each activity is set-up as a Project in IDIS. The Outreach Technician must then set-up one or more activities for each project. Each part of an activity that has a unique service area must be set-up as a separate IDIS activity. For example, a street improvement project may include a dozen streets but they serve different areas of the Town and must each be reported separately. Each must have a separate IDIS activity.

Activities are funded in IDIS from the Letter of Credit based on the program year. Starting with the 2015 program year, HUD has initiated Grant Based Accounting. Each grant is tracked separately from its inception in the Annual Action Plan through its completion and activity reporting in the CAPER.

An activity may utilize funds from more than one program year. The funding will remain grant specific and can be identified in IDIS.

### **3.9. Vouchers and Drawdowns**

To drawdown funds, several steps will take place:

- A. The Finance Department, or designee, is responsible for issuing Purchase Orders that authorize payment on all activities.
- B. The Outreach Technician will review requests for payment to ensure the work is completed and documentation such as labor standards and beneficiary reporting is up to date.
- C. The Grants Manager approves payment requests
- D. The expense is reported to the Outreach Technician who then draws the funds through IDIS. Drawdowns occur after the Town has incurred an expense and recorded it in the Town's general ledger. CDBG funds will be drawn down regularly to reimburse the Town.
- E. The Grants Manager approves the drawdown.

### **3.10 Receipt and Use of Program Income Prior to HUD Drawdown**

Any funds received in repayment of past CDBG loans or programs are considered program income. These funds must be deposited in the CDBG account, tracked separately by the Finance Department, and recorded in IDIS as a receipt. Prior to drawing down any funds from the HUD, Program Income must be expended. However, a drawdown is entered in IDIS against the Program Income on hand.

In IDIS, Program Income replaces the grant funds on the line item; this frees up the grant funds to be reallocated. With the planning of the next fiscal year or by modification, the Town can then budget the funds received as Program Income in the year to new activities.

### **3.11. Reconciliation of Program Funds in IDIS with the Town's Accounts**

The Finance Jr. Accountant will maintain a chart of accounts to show that funds are being spent in accordance with the CDBG budget as presented in the Annual Action Plan (or subsequent Amendments). The Finance Jr. Accountant must be able to reconcile this chart of accounts with IDIS on a regular basis.

Each year, the CAPER includes a statement of finances that includes expenditures in the program year, cash on hand and remaining balance of funds (PR26). These must also be reconciled by the Finance Jr. Accountant to the Town's general ledger cash account balances.

IDIS report PR 07 will show cash disbursements for any period of time.

## Section 4. Planning the Program Year

Setting out the program a year before it begins provides an opportunity to include all elements that require lead time for publication in local newspapers (e.g., public advertisement publication dates, public comment periods, etc.), reports that are due to HUD on an annual basis (e.g., Annual Action Plan, Section 3 Report, etc.), and other critical local dates (e.g., Town of Hamden legislative council meetings, advisory board meetings, state holidays, etc.) that could impact timely submissions and compliance with regulatory deadlines. Generally, the annual program schedule is the same from year to year, which will facilitate planning for the CDBG program and inform local applicants on how to plan for their individual organizational program/budget year.

The timeliness requirements of the CDBG program require a more proactive approach and the Town should be working year-round to identify suitable projects. To reduce lag time between the award of HUD funds and initiation of the projects, the Town must have a clear idea of the projects and the timetable.

### Town's Program Year Schedule

The Town's program year for its CDBG entitlement program begins annually on July 1. Based on this start date, the following chart provides an overview of key dates and required actions to ensure timely management of the Town's CDBG program.

| July      |  | Program Year begins, July 1<br><br>CAPER process for previous program year begins<br><br>Request for release of funds for ERR<br><br>Cash on hand report for prior program year due July 20 (IDIS) |
|-----------|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| August    |  | Continue to prepare CAPER                                                                                                                                                                          |
| September |  | Submit CAPER<br><br>Post CAPER for public review<br><br>Publish public notice for public hearing for feedback on CAPER                                                                             |
| October   |  | Semi-annual labor compliance report due to HUD<br><br>Contractor/subcontractor report (MBE/WBE) FHEO due to HUD<br><br>Cash on hand report due OCT 20 (IDIS)                                       |
| November  |  | Begin next program year AAP planning process                                                                                                                                                       |

|          |  |                                                                        |
|----------|--|------------------------------------------------------------------------|
| December |  | Hold public hearing #1                                                 |
| January  |  | Cash on hand report due Jan 20 (IDIS)                                  |
| February |  | Announce/publish PSA RFPs                                              |
| March    |  | Complete draft AAP                                                     |
| April    |  | Publish summary/Notice of public hearing/30-day comment period for AAP |
| May      |  | Approve AAP and submit to HUD (IDIS) by May 15th                       |
| June     |  | Prepare ERR<br>Review procurement needs                                |
|          |  |                                                                        |

In years when a Five Year Consolidated Plan is due, the process will be more involved and require additional consultation. As outlined in the Citizen Participation Plan, the Town will consult with groups and agencies in the development of its Consolidated Plan (ConPlan), including, but not limited to, the following (Agencies marked with an \* must be consulted annually):

- Town of Hamden Housing Agency\*
- Other assisted housing providers
- Social service providers including those focusing on services to minorities, families with children, the elderly, persons with disabilities, persons with HIV/AIDS and their families, homeless persons, and other protected classes\*
- Community-based and regionally-based organizations that represent protected class members and organizations that enforce fair housing laws
- Regional government agencies involved in metropolitan-wide planning and transportation responsibilities
- The Town Health Department concerning Lead-Based Paint\*
- Broadband internet service providers and organizations engaged in narrowing the digital divide,
- Agencies whose primary responsibilities include the management of flood prone areas, public land or water resources, and emergency management agencies
- When preparing the portion of the CP concerning lead-based paint hazards, the Town shall consult with local or state health and child welfare agencies and examine existing data related to lead-based paint hazards and poisonings, including health department data on the addresses of housing units in which children have been identified as lead-poisoned.



- When preparing the description of priority non-housing community development needs, the Town will notify adjacent units of local government, to the extent practicable. This shall involve, at a minimum, the Town sending a letter to the chief elected official of each adjacent unit of government notifying them of the draft CP and how to access a copy online for review and comment.

The Five Year Consolidated Plan and Annual Action Plan are created in IDIS and downloaded for public review. The sections of the Five Year Plan and Annual Action Plan include:

#### Administrative element:

Set Up  
SF 424  
Certifications  
Executive Summary  
ES – 05 – Executive Summary

The Process  
PR – 05 – Lead and Responsible Agencies  
PR – 10 – Consultation  
PR – 15 – Citizen Participation

#### Needs Assessment

NA – 05 – Overview: Housing Needs Assessment  
In addition to Census data made available through the eCon Planning tool, the consultant shall provide more current market and census information as available  
NA – 10 – Housing Needs Assessment.  
NA – 15 – Disproportionately Greater Need  
NA – 20 – Disproportionately Greater Need: Severe Housing Problems  
NA – 25 – Disproportionately Greater Need: Housing Cost Burden  
NA – 30 – Disproportionately Greater Need: Discussion  
NA – 35 – Public Housing  
NA – 40 – Homeless Needs Assessment  
NA – 45 – Non-Homeless Special Needs Assessment  
NA – 50 – Non-Housing Community Development Needs

#### Market Analysis

MA – 05 – Overview: Housing Market Analysis  
MA – 10 – Number of Housing Units  
MA – 15 – Cost of Housing  
MA – 20 – Condition of Housing  
MA – 25 – Public and Assisted Housing  
MA – 30 – Homeless Facilities and Services  
MA – 35 - Special Needs Facilities and Services  
MA – 40 – Barriers to Affordable Housing

MA – 45 – Non-Housing Community Development Assets

MA – 50 – Needs and Market Analysis Discussion

#### Strategic Plan

SP – 05 – Overview of Strategic Plan

SP – 10 – Geographic Priorities

SP – 25 – Priority Needs

SP – 30 – Influence of Market Conditions

SP – 35 – Anticipated Resources

SP – 40 – Institutional Delivery Structure

SP – 45 – Goals

SP – 50 – Public Housing Accessibility and Involvement

SP – 55 – Barriers to Affordable Housing

SP – 60 – Homeless Strategy

SP – 65 – Lead-Based Paint Hazards

SP – 70 – Anti-Poverty Strategy

SP – 80 - Monitoring

#### Annual Action Plan

AP – 15 – Expected Resources

AP – 20 – Annual Goals and Objectives

AP – 35 – Projects

AP – 50 – Geographic Distribution

AP – 55 – Affordable Housing

AP – 60 – Public Housing

AP – 65 – Homeless and Other Special Needs Activities

AP – 75 – Barriers to Affordable Housing

AP – 85 – Other Actions

AP – 90 – Program Specific Requirements: CDBG

The Citizen Participation Plan also outlines the conditions and process for a Substantial Amendment or other minor amendments to the plan. A Substantial Amendment is a change in the beneficiaries of an activity or adding or canceling an activity. A Substantial Amendment requires citizen input and a 30-day display period for comment. Both a substantial and a minor amendment require approval of the Legislative Council.

## **Section 5: Issuance of Request for Proposals (RFP)**

Annually, the Town issues a Request for Proposals (RFP) to provide funding opportunities for public services in the Town. The Town departments also receive a copy so that they can consider projects suitable for the CDBG program.

Three basic steps help to ensure this process:

1. Review and revise the existing application as necessary
2. Hold an application workshop for interested parties, and
3. Solicit proposals

Required Project File Contents:

- ☐ Meeting agenda
- ☐ Attendance list for meeting
- ☐ List of handouts
- ☐ Excerpts from the Consolidated Plan and Action Plan describing priorities relevant to the planned project
- ☐ Plan Amendment and supporting citizen participation documentation (if required for the specific project being planned)
- ☐ RFP and Application master copy
- ☐ Copy of public notice and receipt for placement in appropriate files
- ☐ Record of contacts during RFP response period
- ☐ Applications (RFP responses)

Reference Documents:

- ☐ Consolidated Plan and Annual Action Plan

### **5.1 Review and Revise the RFP**

Annually, the Town shall examine its CDBG program RFP to determine if it reflects current needs and priorities, program policies, recent changes to federal program rules, etc. The following criteria shall be considered when the application is reviewed by staff and the consultant:

- Is it worded properly to solicit the type of projects that the Town considers high priority?
- Is it user-friendly? Is it sufficiently comprehensive to collect the information needed to perform a thorough review without being overly burdensome to complete?
- Have there been any regulatory changes to the CDBG program or other Federal rules that would require updating the application?

## **5.2 Solicit Proposals**

The Town will issue the RFP to solicit applications for CDBG projects consistent with its approved Consolidated Plan. The Town will accept applications on a date to be determined annually.

## **5.3 RFP Workshop**

Not less than annually, the Town will hold an RFP workshop to provide the opportunity for interested parties to learn about the RFP and ask questions. Feedback from the RFP workshop may also cause the RFP to be revised or clarified.

To prepare for the RFP workshop, the Town shall:

- Advertise the workshop in at least one local newspaper;
- Send an email blast to alert potential applicants of the opportunity to participate;
- Prepare copies of the RFP;
- Prepare a list of changes from last year's RFP to brief participants;
- Provide a sign-in sheet and maintain it in the files after the workshop, and,
- Schedule staff to be available to provide technical assistance to potential applicants, as necessary.

## **5.4 Reservations**

The Town reserves the right to:

- Accept or reject any or all proposals received
- Seek additional information from submitting organizations, especially those not previously funded by the Town, and
- Establish spending guidelines for all projects

## **5.5 Eligible Applicants**

Applicants must:

- Be incorporated for-profit or nonprofit entities able to undertake activities within the Town
- Demonstrate the financial management and programmatic expertise to successfully develop, design, implement and monitor the proposed activities. This expertise is demonstrated through previous experience in successfully developing projects similar to the one proposed, either by partners or key staff within the business or organization.
- Comply with other federal requirements relative to the CDBG program, specifically those concerning procurement, and documentation of beneficiaries. All applicants shall be made aware that additional federal requirements apply

## **Section 6. Intake and Review of Applications**

### **6.1 Funding Caps**

Once applications have been received, the Town will estimate its public services cap based on 15% of the anticipated grant PLUS any program income received in the PRIOR fiscal year. The total allocations to public services may not exceed this limit.

The Administrative cap will be estimated based on 20% of the anticipated grant amount and any program income anticipated for the fiscal year.

The remainder of the funds are eligible for activities. If there are activities that are designated as either Slum and Blight or Urgent Need, then the combined sum of these activities may not exceed 30% of the total grant plus Program Income minus Administration.

Example: \$700,000 grant minus \$140,000 Admin is \$560,000 X .30 = \$168,000

Public Facilities and Infrastructure project proposals received from organizations other than the Town Administration will also be reviewed and those with the highest overall scores will be recommended to the Town for funding.

### **6.2 Application Scoring**

Applications received for funding will be reviewed and scored to determine which activities are suitable for funding.

#### **A. Completeness of the Application** **up to 10 Points**

All questions must be addressed

#### **B. Agency's Capacity to Perform** **up to 20 Points**

The applicant needs to clearly describe, and provide evidence to support, its capacity to carry out the proposed program. The evidence may be success operating the same or similar programs or it may provide evidence of the agency's capability with other data and analysis.

#### **C. Priority Unmet Needs** **up to 15 Points**

The Consolidated Plan established needs for the Town along with goals and objectives to meet those needs. The Annual Action Plan and activities must address these needs, goals and objectives.

#### **D. Concise and Measurable Goals** **up to 15 Points**

It is important that the applicant clearly identify the performance measures to be achieved with the funding, if awarded. These goals must align with the priority needs in the Town's Consolidated Plan.

#### **E. Leveraging of Funding**

**up to 10 Points**

Applicants are strongly encouraged to seek funding other than, or in addition to, CDBG monies. The more the applicant can leverage additional funding to supplement CDBG funds, the more points the applicant can receive. The maximum point total for this item is ten points and the points awarded are based on the amount of funding leveraged (in the form of a ratio).

*The Town of Hamden's Legislative Council will have the final decision on which projects will receive funding.*

## **Section 7. Preparation of Consolidated Plan and Annual Action Plans**

The regulations at 24 CFR Part 91 detail the requirements for preparation of a Consolidated Plan every five years by the Town and an Annual Action Plan every year. The preparation of these documents must be consistent with the actions outlined in the Town's Citizen Participation Plan.

The Town of Hamden approved a Citizen Participation Plan in early 2018. The Citizen Participation Plan provides for and encourages citizens to participate in the development, revision, amendment, adoption of the Consolidated Plan, the Annual Action Plan, and the CAPER.

The Plan outlines the requirements for the Town to hold two public hearings annually for the Consolidated Plan and Annual Action Plan and the manner and timing of public notices. In summary, the Town has stated in the Citizen Participation Plan that each hearing will be held after giving citizens a minimum seven-day notice and that notices will be sent to organizations identified by the Town who address the needs of low-and moderate-income residents, persons of color, non-English speaking and disabled residents.

The first public hearing will be conducted early in the process to receive public input on housing and community development needs, development of proposed activities, the amount of assistance the Town expects to receive (including grant funds and Program Income), the range of activities that may be undertaken, including the estimated amount that will benefit low- and moderate-income residents, and a review of program performance.

Following the first public hearing, as outlined in Section 2 and Section 3 – Planning the Program Year, the Town must consider the broad range of CDBG issues as outlined in the Consolidated Plan and Annual Action Plan requirements as well as consider the applications received for funding. Further, a detailed budget for the coming year must be established. The draft of the Consolidated Plan or Annual Action Plan is then entered into IDIS and printed for public display.

A notice making this draft available for public review for 30 days and announcing the second Public Hearing is then published and disseminated in accordance with the Citizen Participation Plan. The public notice shall include a brief summary and purpose of the Consolidated Plan and/or Annual Action Plan, the anticipated amounts of funding (including Program Income, if any); proposed activities likely to result in displacement, if any; plans for minimizing the displacement of persons as a result of CDBG activities, if any; plans to assist persons actually displaced by the project, if any; the dates of the public display and comment period; the locations where copies of the draft Consolidated Plan or Annual Action Plan can be examined; how comments will be accepted; when the document will be considered for action by Town of Hamden Legislative Council; and, the anticipated submission date to HUD.

The second public hearing is held during the 30-day comment period to receive comments on the Consolidated Plan and/or Annual Action Plan. Comments are incorporated in either or both plans, which are submitted to the Town of Hamden Legislative Council for approval after the 30-day comment period.

The Consolidated Plan and/or Annual Action Plan is due to HUD not less than 45 days prior to the start of the Town's program year (July 1) which is April 15th. Plans are submitted through IDIS. The Town must also submit to HUD the signed SF 424 Form and Certifications.

Any subsequent substantial amendments to the Plans must be made following a similar process requiring at least one public hearing and a 30-day comment period. Any of the following qualify as a substantial amendment requiring citizen input:

- Addition or deletion of an activity
- When a change occurs in the purpose, location, or beneficiaries of a previously approved activity
- When a 50 % change in federal funding occurs where the project is \$25,000 or less
- When a 25 % change in federal funding occurs where the project is more than \$25,000

Any changes to the Consolidated Plan or Annual Action Plan, substantial or otherwise, must be made in IDIS. An email notification must be sent to the HUD representative for the Town informing them of the nature of the change.



## **Section 8: Federal Requirements for All Projects**

Community Development Block Grant funds must meet the criteria for eligibility and a National Objective.

### **8.1 Eligible Activities**

The list of eligible CDBG activities includes:

1. Acquisition of Property
2. Disposition Expenses (Resale Expenses)
3. Public Improvements
  - a) Streets, curbs, sidewalks
  - b) Storm and sanitary sewers
  - c) Water lines
  - d) Parks
  - e) Community centers, centers
  - f) Parking lots
  - g) Fire Stations
4. Demolition - Properties must be vacant and blighted and unsuitable for rehabilitation. Any dwelling units that are viable and contribute to the housing stock will have to be replaced.
5. Public Services - No more than 15% of the annual grant can be used for new or expanded public services related to health, welfare, crime prevention, drug abuse, recreation, etc.
6. Housing Rehabilitation
  - a) This includes renovation of closed school buildings and buildings occupied by low-and moderate-income families being located in participating jurisdictions. It also includes complete rehabilitation of a property, or special emergency repairs, energy improvements, installation of smoke detectors, and connection of residential structures to water distribution lines, or local sewer collection lines and related costs.
7. Code Enforcement
  - a) Must be carried out in support of other CDBG or local activities in low income areas of the community
8. Homeownership Assistance
  - a) Grant funds may be used to subsidize interest rates; finance the acquisition by low-and moderate-income homebuyers of housing occupied by the homebuyers; acquire guarantees; provide up to 50% of any down payment costs; or, pay reasonable closing costs
9. Economic Development Activities
  - a) Grant funds can be used for loans, loan guarantees, and interest supplements to assist commercial or industrial properties, including railroad spurs or similar extensions

## 10. Planning and Administrative Costs

- a) Grant funds can be used for audit fees, administration of the program, environmental assessment, planning and feasibility studies, comprehensive plans, etc.

### 8.2 National Objective

CDBG funds must primarily benefit low-and moderate-income persons. A minimum of 70% of the funds each year (after deducting administration) must be expended for activities that provide low-mod benefit. The remaining 30% may be used for activities that remove slum and blight (such as demolition) or meet an urgent need. An urgent need is a sudden and unforeseen emergency (such as a tornado) for which local resources are insufficient to address the problem.

Low-and moderate-income benefit can be met in a number of ways:

#### 1. Limited Clientele

Benefit is limited to a specific group of people, at least 51% of whom are low- and moderate-income persons.

##### A. Presumed benefit - groups of individuals are presumed to be lower income:

- Abused children
- Battered spouses
- Elderly persons
- Severely disabled adults
- Homeless persons
- Illiterate adults
- Persons living with AIDS
- Migrant farm workers

##### B. Family size and income – household income data is used to document the size and annual income of each person receiving the benefit. Alternatively, enrollment in other programs that have income rules at least as restrictive as CDBG may be used in place of additional documentation.

##### C. Nature and location of activity –the nature and location of the activity are such that it will be used predominantly by low- and moderate-income persons. For example, a day care center designed to serve residents of a public housing development or a food bank.

#### 2. Area Benefit

The service area for a public improvement or infrastructure activity must be determined. This area needs to be delineated based on the people to be served by the activity. Once delineated, the census tracts/block groups in the service area must be compiled to determine if the area is at least 51% low- and moderate-income.

Housing activities funded with CDBG funds must benefit low-or moderate-income households. The income of the families must be documented in accordance with the requirements of 24 CFR Part 570.208(a)(3) using either the Part 5 or IRS method of determination.

<https://www.hudexchange.info/resources/.../HOMEGuideForIncomeAndAllowances.pdf> or HUD calculator: <https://www.hudexchange.info/incomecalculator/>

### 3. Economic Development

CDBG funds may be invested in the development of businesses in several ways. One job must be created for every \$35,000 of CDBG funds invested and the jobs must be held by or made available to low-and moderate-income persons. The income of the owner is only counted in micro-enterprises. Employee income is based on family income and may be self-certified using the HUD income table adjusted by family size.

### 8.3 Record Keeping

Low-Mod Area Benefit: Records must be maintained on the boundaries of a service area and the basis for determining those boundaries, and the percentage of low-and moderate- income persons in the service area and the data used for determining that percentage.

For Limited Clientele activities one of the following types of documentation must be kept

- ☐ Documentation showing that the activity is designed to be used exclusively by a segment of the population presumed by HUD to be L/M income persons (e.g., abused children); or
- ☐ Documentation describing how the nature and the location of the activity establish that it will be used predominantly by L/M income persons; or
- ☐ Data showing the size and annual income of the family of each person receiving the benefit; or
- ☐ Data showing that barriers to mobility or accessibility have been removed and how the barrier removal was restricted to the extent feasible to one of the particular cases authorized under this subcategory; or
- ☐ Documentation showing that the activity qualifies under special conditions regarding job services where less than 51% of the persons are low-and moderate-income.

Reference: Guide to CD Eligible Activities

<http://www.hud.gov/offices/cpd/communitydevelopment/library/deskguid.cfm>

### 8.4 Other Federal Requirements

In addition to the qualifying criteria for National Objective and Eligibility, the project application must also meet a number of other Federal requirements including:

- a) Environmental Review
- b) Procurement
- c) Section 3
- d) Labor Standards
- e) Section 504 - Handicapped Accessibility
- f) Lead-Based Paint
- g) Relocation/Displacement

### *a) Environmental Review*

In accordance with the regulations of the Community Development Block Grant Program and the National Environmental Policy Act of 1969, all projects funded with CDBG funds will require the preparation of a project Environmental Review Record (ERR) and environmental clearance before funds are committed or expended. The environmental review process covers all phases of the project, whether the project is funded in whole or in part by federal funds.

A summary of the steps required for environmental review for the typical Town project includes:

1. Establish a record – describe the project and limits of funding
2. Determine the level of notice and review required (Exempt, Categorically Excluded, Categorically Excluded/Exempt, Environmental Assessment)
3. Document the National Environmental Protection Act (NEPA) thresholds using the forms provided by HUD (or HEROS on IDIS) including State Historical Preservation Office (SHPO) and other outside sources that require documentation and compliance under Part 58
4. If the project is Categorically Excluded or Assessed, publish either a Combined Notice or a Notice of Intent to Request Release of Funds (RROF) and receive comments, as required (see attached Decision Tree)
5. After required publication and comment period for public notice, send RROF to HUD
6. Receive Authority to Use Grant Funds from HUD (Form 7015.16)

For environmental review purposes, Town of Hamden is the “responsible entity” (RE) referred to in 24 CFR Part 58. In this capacity, the RE is responsible for ensuring that the environmental review process is satisfied before CDBG funds are committed.

### *b) Procurement*

All use of CDBG funds for goods or services requires competitive procurement. The Uniform Administrative Requirements found at 2 CFR Part 200 govern the use of funds.

The Town has a procurement policy that meets the requirements of 2 CFR Part 200 and includes a statement about conflict of interest. The plan must identify the process by which the Town may procure goods and services consistent with both Federal and State requirements.

2 CFR Part 200.320 defines the methods of procurement:

1. Small purchase procedures: Price or rate quotations may be obtained.
2. Procurement by sealed bids: Fixed price contracts will be awarded based on sealed bids that have been publicly advertised.

3. Procurement by competitive negotiation: Used when price-based sealed bids are impractical. An RFQ which outlines the factors for evaluation of the award must be solicited from an adequate number of firms.
4. Non-competitive proposals: If there is only one source of a product or service, the Town must request permission from HUD before awarding a contract.
5. Micro-purchases: The micro-purchase threshold is set by the Federal Acquisition Regulation at 48 CFR Subpart 2.1 Definitions. The current standard is \$10,000 (May 2018). Any purchase under this threshold may be purchased without competitive means.

The method of Procurement must take into consideration the following:

- Equal Employment Opportunity. The Town must comply with the following to ensure equal opportunity in employment and contracting. Equal Employment Opportunity, Executive Order 11246, as amended: Prohibits discrimination against any employee or applicant for employment because of race, color, religion, sex, or national origin. Provisions to effectuate this prohibition must be included in all construction contracts exceeding \$10,000. Implementing regulations may be found at 41 CFR Part 60.
- Minority Business Enterprise/ Women Business Enterprise. The Town and sub recipients must comply with the regulations governing employment and contracting opportunities. The regulations cover equal opportunity, labor requirements, and contracting and procurement practices. Minority/Women's Business Enterprise (Executive Orders 11625, 12432, and 12138): the Town's must prescribe procedures acceptable to HUD for a minority outreach program to ensure the inclusion, to the maximum extent possible, of minorities and women, and entities owned by minorities and woman, in all contracts. (See 2 CFR 200.321(b)(6)) for procurement procedures and requirements.)

### *c) Section 3*

The Town needs to ensure they are meeting Section 3 requirements for CDBG projects. Section 3 of the Housing and Urban Development Act of 1968 requires that, to the greatest extent feasible, opportunities for training and employment arising from the use of federal funds will be provided to low-and moderate-income persons residing in the program service area. Also, to the greatest extent feasible, contracts for work (all types) to be performed in connection with federal funds will be awarded to business concerns that are located in or owned by persons residing in the program service area.

Section 3 requirements are applied to any contract over \$100,000 or a group of related contracts that in the aggregate exceed this threshold.

### *d) Labor Standards: Davis-Bacon (Federal Prevailing Wage Requirements)*

Every contract for the construction assisted with more than \$2,000 in CDBG funds must contain a provision requiring the payment of not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act (40 USC 276a-276a-5) to all laborers and mechanics on the job site. Such contracts

must also be subject to the overtime provisions, as applicable, of the Contract Work Hours and Safety Standards Act (40 USC 327-332).

There are certain exceptions:

- Residential construction – only multi-unit developments with 8 or more units trigger Davis-Bacon
- Demolition – if buildings are demolished for slum and blight removal or to allow construction of fewer than 8 residential units, Davis-Bacon does not apply. If the demolition is to provide a public facility or other construction for which Davis-Bacon does apply, then the demolition is also subject to Davis-Bacon.
- When installation is incidental to the cost of the item, the rule of thumb is that if the cost of installation is less than 13% of the cost of the item, Davis-Bacon wages do not apply. For example, the installation of a \$15,000 play structure that costs less than \$1,950 to assemble and install would not be covered by Davis-Bacon wages.

Reference: The HUD Handbook 1344.1 REV.1 Entitled: Federal Labor Standards Compliance in Housing and Community Development Programs is available at: <http://www.hud.gov/offices/adm/hudclips/handbooks/sech/13441/>

Related to the Davis-Bacon Act are:

**Contract Work Hours and Safety Standards Act (40 U.S.C. 327 - 333).** This Act (CWHSSA) applies to both direct Federal contracts and indirect federally-assisted contracts except where the assistance is solely in the nature of a loan guarantee or insurance. CWHSSA also applies to maintenance laborers and mechanics employed by public housing authorities. CWHSSA provides that work in excess of 40 hours per week shall be compensated for at rates not less than one and one-half times the basic rate of pay. The Act mandates that all contracts requiring the employment of laborers and mechanics (and watchmen and guards) in the performance of work in connection with such projects contain implementing provisions that will render the contractor and any subcontractor responsible for violation liable to the affected employees for their unpaid wages and to the United States for liquidated damages. The Act establishes an appeals procedure and criminal misdemeanor.

**Copeland Act (Anti-Kickback Act) (40 U.S.C. 276c).** The Copeland Act makes it a criminal offense for any person to induce, by any manner whatsoever, any person employed in the construction, prosecution, completion, or repair of any public building, public work, or building or work financed in whole or in part by loans or grants from the United States, to give up any part of the compensation to which he is entitled under his contract of employment. The Act also provides for the submission of weekly statements of compliance and weekly payrolls by all contractors in a format which meets the requirements of 29 CFR Section 5.5. (The Copeland Act applies to both contractors and subcontractors. Department of Labor Regulation 29 CFR Section 3.3(c), which

implements the Act, indicates that the payroll statement requirements do not apply to any contract of \$2,000 or less.

*e) Section 504 - Handicapped Accessibility*

Section 504 of the Rehabilitation Act of 1973 provides that no qualified person with handicaps shall, on the basis of disability, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal assistance (Ref: Sec 794 24 CFR Part 8).

*f) Lead-Based Paint (Housing Built Before 1978) 24CFR Part 35*

The Town must ensure that any housing unit that is rehabilitated with CDBG funds meets the Lead Safe Housing Rule. This rule applies to all housing built prior to 1978. The amount of work required will depend on the amount of Federal assistance per unit or the rehab hard costs per unit, whichever is lower.

*g) Relocation/Displacement*

The Town has a Residential Anti-displacement and Relocation Assistance Plan. This plan outlines how the Town will ensure that CDBG projects avoid, whenever possible, and in all cases minimize, the displacement of residents from their homes as a direct result of the assisted activities. It will also explain the benefits to be provided should a household be displaced.

Further, under Section 104 (d) of the Act, the Town will ensure that federally-assisted projects replace all occupied and vacant occupiable low-and moderate-income dwelling units demolished or converted to a use other than as low-and moderate- income housing in connection with an activity assisted with federal funds.

The Uniform Act also covers acquisition of easements, both temporary and permanent, that may be required for construction of public infrastructure or other project. The HUD website provides templates for use should such actions be required.

## Section 9. Project Approval and Execution of Agreements

### I. Procurement

CDBG regulations per 2 CFR Part 200.320 describe the methods of procurement for Federal contracts. The type of project will dictate the best method of procurement. Further, the regulations require specific language in the bid documents. This section will review how to prepare bid documents and review bids to execute construction documents.

The Uniform Administrative Requirements at 2 CFR Part 200.320 describe the procurement process and requirements for bidding and contracting using Federal grants. Non-profits that operate public facilities are not necessarily subject to all of the same requirements but must have a written procurement policy that provides for the maximum competition.

State law may have additional requirements and the most restrictive regulation will apply.

**Procurement by micro-purchases.** Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§200.67 Micro-purchase which as of 2018 stands at \$10,000). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

**Procurement by small purchase procedures.** Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold (§200.88 - which stands at \$150,000 as of 2017). If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

**Procurement by sealed bids (requires formal advertising).** Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming to all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the following conditions apply:

- (1) In order for sealed bidding to be feasible, the following conditions should be present:
  - i. A complete, adequate, and realistic specification or purchase description is available
  - ii. Two or more responsible bidders are willing and able to compete effectively for the business and



- iii. The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.

(2) If sealed bids are used, the following requirements apply:

- i. Bids must be solicited from an adequate number of known suppliers, providing them sufficient response time prior to the date set for opening the bids, for local, the invitation for bids must be publicly advertised
- ii. The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond
- iii. All bids will be opened at the time and place prescribed in the invitation for bids, and for local, the bids must be opened publicly
- iv. 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 must 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 and
- v. Any or all bids may be rejected if there is a sound documented reason

**Procurement by competitive proposals.** 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 contract is 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:

(1) Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals must be considered to the maximum extent practical

(2) Proposals must be solicited from an adequate number of qualified sources

(3) The non-Federal entity must have a written method for conducting technical evaluations of the proposals received and for selecting recipients, and

(4) Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.

**Procurement by noncompetitive proposals.** Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

(1) The item is available only from a single source

- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation
- (3) The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity, or
- (4) After solicitation of a number of sources, competition is determined inadequate.

## **II. Contract Requirements**

For all contracts, the Town must take actions to assure that minority and women's owned business enterprises and labor surplus area firms are used whenever possible. (2 CFR Part 200.321)

Affirmative steps must include:

- (1) Placing qualified small and minority businesses and women's business enterprises on solicitation lists
- (2) Assuring that small and minority businesses, and women's business enterprises are solicited whenever they are potential sources
- (3) Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses, and women's business enterprises
- (4) Establishing delivery schedules, where the requirements permit, which encourage participation by small and minority businesses, and women's business enterprises
- (5) Using the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce and
- (6) Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed in paragraphs (1) through (5) of this section

### **Procurement of Recovered Materials §200.322**

The Town and its contractors must comply with § 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act. The requirements of Section 6002 include procuring only items designated in guidelines of the Environmental Protection Agency (EPA) at 40 CFR part 247 that contain the highest percentage of recovered materials practicable, consistent with maintaining a satisfactory level of competition, where the purchase price of the item exceeds \$10,000 or the value of the quantity acquired during the preceding fiscal year exceeded \$10,000; procuring solid waste management services in a manner that maximizes energy and resource

recovery; and, establishing an affirmative procurement program for procurement of recovered materials identified in the EPA guidelines.

### **Cost Reasonableness §200.323**

- 1) The Town must perform a cost or price analysis in connection with every procurement action in excess of the Simplified Acquisition Threshold (\$150,000) including contract modifications. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, the non-Federal entity must make independent estimates before receiving bids or proposals.
- 2) The non-federal entity must negotiate profit as a separate element of the price for each contract in which there is no price competition and in all cases where cost analysis is performed. To establish a fair and reasonable profit, consideration must 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 the contractor's record of past performance, and industry profit rates in the surrounding geographical area for similar work.
- 3) Costs or prices based on estimated costs for contracts under a Federal award are allowable only to the extent that costs incurred or cost estimates included in negotiated prices would be allowable for the non-Federal entity under Subpart E—Cost Principles of this part. The non-Federal entity may reference its own cost principles that comply with the Federal cost principles.
- 4) The cost plus a percentage of cost and percentage of construction cost methods of contracting must not be used.

### **Bonding requirements 2 CFR Part 200.325**

The Town must ensure that all contractors submit adequate bonding to protect the Federal investment in the project:

- 1) A bid guarantee from each bidder equivalent to 5% of the bid price. The "bid guarantee" must consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of the bid, execute such contractual documents as may be required within the time specified.
- 2) A performance bond on the part of the contractor for 100% of the contract price. A "performance bond" is one executed in connection with a contract to secure fulfillment of all the contractor's obligations under such contract. The performance bond must be written by a company listed in OMB Circular 570.
- 3) A payment bond on the part of the contractor for 100% of the contract price. A "payment bond" is one executed in connection with a contract to assure payment as required by law of all persons supplying labor and material in the execution of the work provided for in the contract.

The requirements of 2 CFR Part 200 also apply to the CDBG program.

### **Debarred Contractors**

Before executing any contracts equal to or exceeding \$25,000, the Town will ensure that the contractor is not suspended or debarred from working on federally-funded contracts by searching the Internet-based Excluded Parties Listing System at [www.SAM.gov](http://www.SAM.gov)

### **III. Contract Provisions 2 CFR Part 200.326 and Appendix II to Part 200**

There are specific requirements for all contracts, regardless of the seeming applicability to the type of contract.

## **Section 10. Managing Construction**

Once the project is bid and awarded, the CDBG program requires on-going management.

This section will address:

- Pre-construction conference
- MBE/WBE and Section 3 reporting
- Labor compliance

The purpose of the pre-construction conference is for the engineer and contractor to iron out any issues related to the implementation of the project. It is appropriate to address CDBG responsibilities as well.

During the meeting, the contractor should be given a duplicate copy of the applicable wage rates and the wage rate poster that has the Labor Compliance officers contact information to display on the job site.

Before issuing a Notice to Proceed, the Town must ensure that the contractor has completed all submittals required, including those required for MBE/WBE and Section 3 compliance.

### **10.1 MBE/WBE**

In the prior section, the contractor was held responsible for outreach to MBE and WBE firms to solicit their bids as subcontractors or suppliers. By the pre-construction conference, the contractor should be prepared to disclose the complete final list of subcontractors and suppliers and the amount of each commitment that was made to each. If there were MBE/WBE firms that were able to provide bids but were not selected, then the contractor must explain why these firms were not contracted.

A final list of firms to whom the contractor has made a commitment must be provided with an explanation.

### **10.2 Section 3**

The contractor must prepare and submit the forms required to determine if there will be new hires for his/her labor crew as well as subcontracted firms and their labor requirements. The work force forms and a Section 3 plan must be obtained from each firm.

### **10.3 Labor Compliance**

The contractor and each subcontractor and lower tier subcontractor are responsible for paying Davis-Bacon wage rates for all workers. The rate consists of a wage rate and a fringe benefit rate. If the contractor pays into any kind of health and welfare plan or

provides vacation or sick time, then the hourly value of such contributions to the employee's benefit can offset the total wages to be paid. The existence of such plans or benefits and their hourly value to each worker must be documented at the start of the project.

The contractor and any subcontractor should identify any bona fide apprenticeship programs that they are engaged in and whether any workers on the site will be apprentices.

### **A. Weekly Labor Compliance**

It is the responsibility of the Town to ensure that all workers employed on any construction project paid in full or in part with CDBG funds are paid the Davis-Bacon wage rate. The Wage Determination provides specific categories of work and the pay rate for each. The total compensation paid to an employee must be the same as the total of the hours and fringe benefits rate in total, although the distribution may be different.

It is the responsibility of the prime contractor to provide the labor compliance officer with weekly payrolls for his/her firm and all subcontractors. These must be reviewed weekly to assure compliance.

The form of payroll submission must generally be consistent with WH-347 Payroll but may be computerized or a similar form may be used. The Statement of Compliance on WH-348 is an important aspect of the payroll report that must be duplicated or submitted.

The basic review consists of four checks:

1. All workers are reported on the forms – note if the number or type of workers seems inconsistent with the scope of the contract
2. The classifications match the wage decision
3. The rate of pay matches the classification
4. The amount paid to the worker is calculated properly

To ensure that all payrolls are received, payroll reports should be numbered starting with the first week of the job and numbered consecutively. Any week in which work is not performed should still have a payroll report indicating it was a "No-Work-Week".

### **B. On-site interviews**

At least one time during the job, but more frequently if there are a number of subcontractors and a protracted job schedule, the labor compliance officer must interview workers on the job site.

A photo of the job poster and wage rates displayed on the job site should be taken for evidence of compliance.



### **C. Discrepancies**

If problems are noted on the payroll, the difficulty can be resolved informally and the contractor can submit an amended payroll. When a worker did not receive adequate wages, a restitution must be made. An amended payroll must be provided, along with a copy of a canceled check (front and back) showing the adjusted amount of wages paid. Since it is now difficult to get canceled checks, a photocopy of the check with a statement signed by the worker that he received the wages may be accepted.

### **D. Record-keeping**

Payroll reports and forms must be maintained on file for a minimum of three years following the completion of the activity.

An excellent guide to this process can be found on HUD's website:

Making Davis-Bacon Work: A Contractor's Guide

<https://www.hudexchange.info/resource/2541/making-davis-bacon-work-contractors-guide-prevailing-wage-requirements/>

### **E. Project Completion**

As the project nears completion, the contractor and inspector/engineer should inspect the project and, if necessary, develop a final punch list of items to be completed. They must then do a completion inspection and document that all work items are complete. A memo from the engineer/inspector should be obtained to certify that all work items are complete and a final payment may be made.

The contractor should mark the last payroll report as FINAL and submit a final report on utilization of MBE/WBE's and Section 3 subcontractor or workers, as applicable.



## **Section 11: Annual Reports**

There are a number of reports required each year for different aspects of the CDBG program.

These include:

- Consolidated Annual Performance and Evaluation Report (CAPER)
- Labor Standards Enforcement Report
- Contractor/Subcontractor Report
- Section 3 Report
- SF 425

### **11.1 CAPER**

The largest report is the Consolidated Annual Performance and Evaluation Report (CAPER). This is an IDIS-based report that links the Five Year Consolidated Plan and Annual Action Plan goals to accomplishments reported in IDIS.

To prepare for the preparation of the CAPER, within 30 days of the end of the program year, the Town must pay any remaining administration and public service expenses and draw funds from IDIS. There is a “prior year” drop down on the drawdown screen to allow drawdowns made after July 1 to be reported in the prior fiscal year. This function is active for 90 days after the program year but draws should be completed sooner to ensure enough time to properly compile the CAPER.

Any public service or administration expenses that are committed but unexpended at the end of September may be carried forward into the new program year as an unliquidated obligation and continue to count toward the cap of the prior year. Such anticipated costs are recorded in PR26 through the reports menu.

The total drawdown for the fiscal year should be reconciled with the Town’s expenditure reports for the year. Also, the total of funds remaining as calculated on PR 26 can be verified using PR 01 and should be consistent with Town fiscal reports for the same period.

The status of all open projects must be entered in IDIS. To properly enter the on-going status, the report year must be the Fiscal Year of the CAPER (IDIS defaults to the year of the project that the activity relates to). For activities that are continued in through more than one program year, it is important to “ADD A REPORT YEAR” to record each year’s status.

All sub recipient reports through June 30 must be obtained and entered into IDIS.

Records of the race and ethnicity of all participants in public services, housing rehab and other direct benefit activities shall be collected on HUD Form 27061.

The CAPER is due annually to HUD on September 30th, i.e. 90 days after the end of the program year and must be placed on public display for a period of 15 days prior to submission to HUD. Public comments must be incorporated in the final copy of the CAPER that is submitted to HUD.

### **11.2 Labor Standards Enforcement Report - HUD form 4710**

The Semi-Annual Labor Standards report is submitted to HUD in April and October of each year. This report is due within 20 days of the end of each reporting period: July 1 to March 31 and April 1 to June 30. Attachment 11A is an example of this form, and is located in the Appendix to the CDBG Policies & Procedures Manual, which is a separate document.

This report lists all NEW construction contracts subject to Davis-Bacon wage rates that were entered into during the period and the wage decision number and Lock-in Date. The Lock-in Date is the date that bids are due. The report also identifies whether there were any labor enforcement activities during the report period. The number of contractors that paid restitution for underpayment of wages and the number of workers paid restitution and the amount of such restitution is reported. This report is then sent to the HUD Labor Compliance Officer.

### **11.3 Contractor and Subcontractor Activity Report - HUD Form 2516**

The Contract and Subcontract Activity report is an annual report that is due 20 days after the end of the federal fiscal year (ending August 31). This report lists all contracts over \$10,000 that the Town has entered into, including professional services contracts.

#### ***Best Practices***

Maintain the above two reports on a continual basis through the year and do not rely on capturing all contracts at the end of the reporting period.

### **11.4 Section 3 Report**

The Section 3 report is due at the time as the CAPER and reports on both the Town's efforts to hire Section 3 people and contractors and the utilization of contractors that are Section 3 eligible.

### **11.5 SF 425 Quarterly Finance Report**

The SF 425 is a quarterly finance form that reports on expenses that the Town has paid for with CDBG funds. The report compares expenditures made by the Town with revenues received for the program. It is due in April, July, October, and January each year.

This report is submitted to the HUD office through the Town's **CPD representative**.

## **Section 12. Monitoring**

This section discusses the Town's strategy for overseeing the activities of entities that carry out CDBG-assisted activities. This section identifies:

- The issues to be explored and the methodology to be utilized in conducting the monitoring
- The schedule to be followed in conducting the monitoring
- Identification of the specific staff members of the Town's Health and Human Services Department who will assume responsibility for monitoring
- The follow-up measures to be used in communicating the results of the monitoring to affected organizations and the methods that will be utilized to obtain feedback from affected organizations

### **12.1 General Policy for CDBG Monitoring**

The Community Development staff will conduct on-site (external) monitoring at least annually for all active CDBG activities carried out by sub recipients.

The Town will also conduct an internal monitoring evaluation of CDBG activities carried out by municipal staff if such activities are selected. In addition, the Town will conduct an annual monitoring evaluation of its CDBG administrative processes.

### **12.2 Risk Evaluation**

The Community Development staff will conduct an evaluation of all sub recipients to determine which agencies and programs carry the most risk for misuse of funds or poor record keeping. Risk Factors to be considered include:

1. Experience with the program
2. Staffing stability and capacity
3. History of Performance
4. Type of activity - some activities are inherently riskier including those with direct intake and multiple funding sources.

### **12.3 Process for Notifying Sub recipients of Scheduled Monitoring Reviews**

The Town will notify sub recipients by mail of the time and date for their scheduled monitoring visit. In addition, sub recipients will be notified of the program areas to be evaluated. The Town's notification will include a list of documentation to be made available and the key staff of the organization that need to be present during the monitoring visit. Notification will be provided approximately four weeks prior to the scheduled visit.

## **12.4 Program Areas to Be Included in Annual Monitoring**

For all internal activities and sub recipient (external) activities, the Town will conduct a full evaluation that includes all program areas. These reviews will involve an evaluation of eligibility, statutory objective compliance, accomplishments, timeliness, Finance management, and other federal requirements.

## **12.5 Compliance Checklists**

The Town will utilize the CDBG monitoring checklist.

## **12.6 Site Visit Procedures**

When conducting an on-site visit, the Town will:

1. Conduct an entrance interview with key staff involved in conducting the activity.
2. Review all pertinent sub recipient files, including any third-party contractor files, for necessary documentation.
3. Interview appropriate officials and employees of the sub recipient organization, third-party contractor staff, program clientele, and interested citizens to discuss the sub recipient's performance.
4. Conduct an on-site monitoring of each sub recipient's Financial Management system.
5. Visit the project site(s) or a sampling of the projects being conducted.
6. Discuss with the sub recipient any discrepancies resulting from the review of files, interviews, and site visits.
7. Conduct an exit interview with the appropriate officials and/or staff of the sub recipient organization to discuss the findings of the monitoring visit.

## **12.7 Monitoring Results**

An official letter reporting the results of the monitoring visit will be sent to the authorized agency official (Housing and Community Development Division Manager) within 30 days of the monitoring visit. A copy of the letter will also be provided to the chairperson of the agency's governing board.

This letter will generally contain the following information:

1. Name of the activity monitored
2. Date(s) of monitoring visit
3. Names of the Town department staff who conducted the monitoring visit

4. Scope of the monitoring visit
5. Names of agency officials and staff involved in the monitoring visit
6. Findings and results of the monitoring visit, both positive and negative, supported by facts considered in reaching the conclusions
7. Specific recommendations or corrective actions to be taken by the sub recipient
8. Time frame for completion of necessary action(s)
9. If appropriate, an offer of technical assistance

## **12.8. Follow-Up Action**

If concerns or findings identified during the monitoring visit require corrective action by the sub recipient, those actions must be completed by the sub recipient within the time frame mandated in the monitoring letter.

In the event that the sub recipient fails to meet a target date for taking required actions, a written request for response will be sent to the authorized agency official and board chairperson.

If a sub recipient has not sufficiently responded within 30 days from the date the corrective actions were to be made, further payments to the sub recipient will be withheld until the sub recipient submits the required responses and/or takes the required corrective actions and those responses or actions are determined to be acceptable. If responses or corrective actions are determined to be unacceptable, funds will continue to be withheld until satisfactory actions are taken.

## **12.9 Resolving Monitoring Findings**

When reviews of all documents of corrective actions taken by the sub recipient indicate that the identified concerns or findings have been corrected to the satisfaction of the Town, a letter will be mailed to the authorized official of the sub recipient and the chairperson of the governing board stating that the findings are resolved.

