

# CDBG-I Program Implementation Manual

GRANT IMPLEMENTATION MANUAL

DIVISION OF WATER INFRASTRUCTURE, CDBG-I UNIT

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Numeric regulation citations (i.e., 24 CFR 570.490 “Recording Keeping”) may have changed since this document was published. If this happens, they will be updated in the next version. However, the title of the regulation (i.e., “Recording Keeping”) should not change; therefore, finding the appropriate federal language is not hindered.

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## GLOSSARY OF TERMS & ACRONYMS

**ABA** - Architectural Barriers Act of 1968

**ADA** - Americans with Disabilities Act

**AFFH** - Affirmatively Furthering Fair Housing

**AI** - Analysis of Impediments to Fair Housing

**BABA** – Buy America, Build America Act

**Beneficiary** – The person(s) or entity(ies) benefiting from the activity, project, or program

**CAPER (or APR)** - Consolidated Annual Performance Evaluation Report

**CDBG** – Community Development Block Grant

**CDBG-I** – Community Development Block Grant – Infrastructure

**CDBG-I Unit** – Unit within the Division that handles the administration of all CDBG-I grants

**CEO / Certifying Officer** – Chief Elected Official (i.e., Mayor or County Commission Chair)  
– the official who is authorized to execute necessary documents and has legal capacity to carry out the responsibilities.

**CFR** – Code of Federal Regulations

**COG** – Council of Governments

**CP** - Citizen Participation

**CPR** – Certified Payroll Report

**CWHSSA** – Contract Work Hours and Safety Standards Act

**Contractor** – A contractor is an entity paid with CDBG funds in return for a specific service (e.g., construction, professional services, etc.). Contractors must be selected through competitive procurement procedures by the local government.

**Contractor (Prime, Construction)** – A general and prime construction contractor on a project. The contractor is the firm that submitted a construction bid and was awarded the project based on the bid. The prime contractor is responsible for adhering to all State and Federal requirements; and any subcontractors they hire.

**Contractor (Subcontractor, Construction)** – A construction contractor that was hired after due diligence by the prime contractor to conduct a portion of the construction scope of work on a project. The subcontractor must adhere to all requirements and regulations.

**Direct Benefits (Beneficiaries)**– Those individuals who receive a direct benefit of improved infrastructure services to their homes (i.e., LMI households/families who are connected/hooked-up to public infrastructure or have their private service lines and improved/repaired).

**Division** – Division of Water Infrastructure within the Department of Environmental Quality, which manages the CDBG-I program.

**DBA** – Davis-Bacon Act

**DBRA** – Davis-Bacon and Related Acts

**DOL** – Department of Labor (Federal)

**EA** – Environmental Assessment

**Easement** – Permanent easement or temporary construction easement.

**EID** – Environmental Information Document (The document that contains the environmental analysis and is the basis for the final environmental document).

**ERR** – Environmental Review Record (The official file of all environmental information related to the project).

**ER** – Engineering Report (describes the project on an engineering, conceptual basis)

**FLSA** – Fair Labor Standards Act

**FTE** - Full-time equivalents of jobs

**Family** – As defined in 24 CFR 5.403, includes, but not limited to, the following, regardless of actual or perceived sexual orientation, gender identity, or marital status:

- A single person, who may be an elderly person, displaced person, disabled person, near-elderly person, or any other single person (see further definitions in 24 CFR 5.403); or
- A group of persons residing together, and such group includes, but is not limited to foster care is considered a member of the family);
- An elderly family;
- A near-elderly family;
- A disabled family;
- A displaced family; and
- The remaining members of a family.

**Grant Subaward** – The grant award from NCDEQ to the local government.

**Grantee / Grant Subrecipient / Subgrantee**– The local government under contract with NCDEQ to receive CDBG-I funds and undertake a funded activity.

**HCDA (or the Act)** - Housing & Community Development Act of 1974, as amended

**HUD** – U.S. Department of Housing and Urban Development

**Household** – All persons occupying a housing unit. The occupants may be a family, as defined in 24 CFR 5.403; two or more families living together; or any other group of related or unrelated persons who share living arrangements, regardless of actual or perceived, sexual orientation, gender identity, or marital status.

**IDIS** - Integrated Disbursement & Information System

**Income** - Income is defined as total gross income for a 12-month period from all sources (earned and unearned) including but not limited to: wages and salaries; child support; alimony; unemployment benefits; workers' compensation; social security; net income from businesses; and, welfare payments. Income does not include income

received/earned by dependent children and full time students under 18 years of age; food stamps and WIC. See 24 CFR 570 for more information.

**Indirect Beneficiaries** – Individuals who benefit from a program and/or activity indirectly.

**Low- and Moderate-Income (LMI) Household** - A household having an income equal to or less than the Section 8 low-income limit established by HUD.

**Low- and Moderate-Income Person** - A member of a family having an income equal to or less than the Section 8 low-income limit (80%) established by HUD. Unrelated individuals will be considered as one-person families for this purpose.

**Low-Income Household** – A household having an income equal to or less than the Section 8 very low-income limit (50%) as established by HUD.

**Low-Income Person** - A member of a family that has an income equal to or less than the Section 8 very low-income limit (50%) established by HUD. Unrelated individuals shall be considered as one-person families for this purpose.

**Low/Mod Area Benefit (LMA)** – An area benefit activity is one that benefits all residents in a particular area, where at least 51 percent of the residents are LMI persons.

**Low/Mod Housing Activities (LHM)** – Activities undertaken for the purpose of providing or improving permanent residential structures which, upon completion, will be occupied by LMI households. Examples of eligible activities include, but are not limited to:

- Site improvements on publicly owned land to serve a new apartment structure to be rented to LMI households at affordable rents;
- Housing rehabilitation for single family units;
- To meet the housing LMI national objective, structures with one unit must be occupied by an LMI household. If the structure contains two units, at least one unit must be LMI occupied. Structures with three or more units must have at least 51% occupied by LMI households.
- Rental buildings under common ownership and management that are located on the same or contiguous properties may be considered as a single structure.

- For rental housing, occupancy by LMI households must be at affordable rents, consistent with standards adopted and publicized by the state grantee.
- Under the following limited circumstances, structures with less than 51 percent LMI occupants may be assisted:
  - Assistance is for an eligible activity that reduces the development cost of new construction of non-elderly, multi-family rental housing; and
  - At least 20 percent of the units will be occupied by LMI households at an affordable rent; and
  - The proportion of cost borne by CDBG funds is no greater than the proportion to be occupied by LMI households.

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

**L(N)OIF** – Letter (Notice) of Intent to Fund from the Division of Water Infrastructure.

**M/WBE** – Minority-owned business enterprise / Women-owned business enterprise

**MFI** – Area median family income (which HUD issues by family size and by county)

**Moderate-Income Household.** A household having an income equal to or less than the Section 8 low-income limit and greater than the Section 8 very low-income limit, established by HUD.

**Moderate-Income Person.** A member of a family that has an income equal to or less than the Section 8 low-income limit and greater than the Section 8 very low-income limit, established by HUD. Unrelated individuals shall be considered as one-person families for this purpose.

**NCDEQ** – North Carolina Department of Environmental Quality

**NCGS** – North Carolina General Statutes

**NCWIF** – North Carolina Division of Water Infrastructure

**OMB** – Office of Management and Budget (Federal)

**O/T** – Overtime

**Project Area** – May be determined by who is connected to the infrastructure, or who is served by the infrastructure. All the residents in the project area must be served in some way by the project.

**Responsible Entity (RE)** – The entity legally responsible for activities under the grant.

**Single Family Unit** – One dwelling unit designated or constructed to serve only one household or family as the primary residence. Single-family units include a detached single unit, condominium unit, cooperative unit or combined manufactured housing unit and lot.

**Subject To (Involuntary)** - Acquisitions of real property, permanent easements, temporary construction easements, life estates and leases of 50 years or more are subject to subpart B of the URA requirements. Used to be known as “involuntary” acquisitions.

**Not Subject To (Voluntary)** – Acquisitions of real property, permanent easements, temporary construction easements, and leases of 50 years or more, not subject to the requirements of subpart B of the URA requirements. Used to be known as “voluntary” acquisitions. Any “not subject to” acquisition that is not handled properly, such as improper notices mailed etc. will no longer be considered “not subject to” and must be considered a “subject to” acquisition needing to follow all requirements of subpart B of URA.

**S/T** – Straight-time

**SAC** – State Apprenticeship Council/ Agency

**UGLG** – Unit of General Local Government and has the meaning provided in section 102(a)(1) of the Act.

**URA** – Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970



Different terminology is used for the hardware associated with water and sewer projects. Following are definitions to assist in developing project proposals. Use these terms in communications with the engineer to ensure that all necessary aspects of the project have been planned and budgeted.

### **Drinking Water Terms**

**Raw Water Main** – A water line that carries untreated raw water. Raw water can include ground water, water from infiltration wells and water from bodies of like lakes and rivers.

**Transmission (Main) Line** – Larger size water line that serves as the transmission for water to the distribution system.

**Distribution Line** – Medium size line that runs from the main/transmission line to distribute the water to customers.

**Service Line** – Small size line located on private property that extends from the meter to the customer.

**Service Connection** - Represents the tap of the distribution line to the meter. This occurs within the right of way. Can be single service or double service.

**Meter** – Located at the point of connection between the service line and distribution line and is considered part of the utility system located within the right-of-way.

### **Wastewater (Sewer) Terms**

**Low Pressure Sewer Main** – A line that conveys wastewater from a residence to a regional wastewater treatment facility. Unlike a gravity connection, they use a small pump station located at each house to move wastewater through the transmission system.

**Grinder Pumps** – Is a semi-positive displacement pump that receives waste from a residence and pumps it into a low-pressure sewer line. The pump grinders up any solids so it can be pumped.

**Outfall** – Line that takes treated wastewater to the stream, lake, lagoon, spray field, etc. after treatment.

**Interceptor Line (Trunk or Main)** – Large size line that carries raw sewage from collection lines to the treatment facility.

**Collector/Collection Line** – Medium size line that collects waste from service lines and feeds into the interceptor line.

**Force Main** – Pressurized line that requires a pump to transport wastewater.

**Gravity Line** – Main line that transports wastewater by gravity.

**Service (Lateral) Line** – Smaller size line located on private property connecting the customer to the collector lines at the right of way.

**Wye** - hardware for the sewer service connection.

**Clean-out valve** – hardware that allows maintenance on the service and/or collection lines on right of way.

#### **Hook-Up and/or Connections Terms**

**House Connection or Connection** – connects the new customer to the service line located in the right-of-way and install/repair private lateral.

**Private Laterals** – The service line from the public right-of-way to the private residential dwelling.

**Single Service/Double service** –hardware for the service connection; single service serves one customer and double serves two customers.

**Short and Long service** – hardware for the service connection; one is for the property closest to the line and long allows a cross over to property on the other side.

**Stub-Out** - is a service that does not connect to a service line. These are for future services to identify parcels of property to avoid having to go back and install them later when services are needed.

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## CHAPTER 1 - INTRODUCTION

NOTES:

Welcome to the Community Development Block Grant – Infrastructure (CDBG-I) Program. The CDBG-I Program is a federal community development block grant program that provides federal funds to non-entitled units of general local government in North Carolina. This program is administered by the North Carolina Department of Environmental Quality. All CDBG funds are administered by the lead agency with the U.S. Department of Housing and Urban Development is the North Carolina Department of Commerce.

Each grantee shall carry out their CDBG-I Project pursuant to the terms of their grant agreement and all applicable Federal and State laws, executive orders, rules, and regulations for public assistance programs, specifically to the CDBG program.

In addition, grantees shall ensure all contracts and subcontracts contain appropriate provisions to also meet applicable CDBG program requirements, including, but not limited to, the following:

- ✓ Title I of the Housing and Community Development Act of 1974 (the Act), as amended (42 U.S.C. 5301 *et seq.*).
- ✓ Title 24 of the Code of Federal Regulations, 24 CFR 570, as amended (the CDBG State) program. (*Safe Harbor Regulations – Entitlement*)
- ✓ Uniform Administrative Requirements and Cost Principles, and Audit Requirements for Federal Award, 2 CFR 200 *et seq.*, including all referenced regulations, except for those referenced in 24 CFR 570.604 and 24 CFR 570 *et seq.*

- ✓ Environmental Review Procedures for Entities Assuming HUD Environmental Responsibility in 24 CFR Part 58.
- ✓ Conflict of Interest provisions, including but not limited to those found at N.C. Gen. Stat. § 14-234, 24 CFR § 570.489 (g) and (h), and 24 CFR § 570.611. Certain limited exceptions to the conflict-of-interest rules listed in 24 CFR § 570.489 may be granted in writing by HUD and/or DEQ upon written request and the provision of information specified in 24 CFR § 570.489(h)(ii)(4).

The CDBG policies and regulations are proper, sound business practices for the completion of any federally funded public project. The knowledge and understanding of these policies and regulations will allow for a process that will work together with completing the desired project goals in a timely, efficient manner.

## USING THE CDBG-I PROGRAM IMPLEMENTATION MANUAL (MANUAL)

The success of a CDBG-I project depends upon careful management and administration. Successful grant management depends on four components: **Responsibility, Planning/Scheduling, Communication, and Knowledge** of a variety of management functions, effective oversight of program activities, and attention to detail.

The Manual serves as the basic administrative reference guidebook for CDBG-I grantees to manage their CDBG-I award successfully and smoothly. It covers:

- Chapter 1: Introduction
- Chapter 2: Civil Rights Requirements
- Chapter 3: Limited Housing Rehabilitation

NOTES:

- Chapter 4: Labor Standards & Construction Management
- Chapter 5: Procurement & Contract Management
- Chapter 6: Environmental Review & Engineering Report
- Chapter 7: Acquisition & Relocation
- Chapter 8: Financial Management & Audits
- Chapter 9: Reports, Recordkeeping, Monitoring and Grant Closeout
- Chapter 10: Program Policies and Additional Guidance Manuals

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## FORMS AND SUPPLEMENTS

The appendices at the end of each chapter contain some additional information; however, the program forms and supplements are updated from time to time, so the most current ones can be found on the Division website under [I Have Funding](#).

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## ADDITIONAL CDBG-I ASSISTANCE

While this Manual is intended to provide grantees the information, they need to manage a CDBG-I project, grantees may encounter problems or have questions they can't find addressed here, or in the supplemental guidebook: Environmental Information Document - EID. Do not hesitate at any time to call the Division of Water Infrastructure (Division) for additional assistance after looking through this manual and other supplemental material. CDBG-I Unit staff members are available to help grantees. A list of staff members and contact information is included at the front of this Manual.

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## CDBG-I DOCUMENT SUBMISSIONS

Starting June 1, 2023, until further notice, the Division will only need the below originally signed documents mailed to the Division.

1. Grant Contract (Grant Agreement) and amendments, as needed
2. Annual Performance Reports (APR)
3. Amendments (Includes Budget Revisions)
4. Environmental Information Document / Environmental Review Record (including Request for Release of Funds)
5. Closeout Packages
6. Funding Applications
7. Additional Funds Requests
8. Deobligations Letters

All other documents can have signed and scanned or digital (DocuSign) signatures and submitted through the new [\*\*Division's Online Supporting Documentation Submittal Form \(Portal\)\*\*](#).

- All documents that are submitted to Division (either via the Portal or mailed) for CDBG-I grants must have the local government name and grant number on it for processing. If documents come in without these identifiers, they will be rejected.
- Documents submitted through the Portal that apply to multiple grant numbers must be uploaded separately for each grant. Failure to do this will result in the submission being rejected and sent back.

NOTES:

## PROGRAM OVERVIEW

NOTES:

The State of North Carolina is authorized by the United States Department of Housing and Urban Development (HUD) in accordance with the Housing and Community Development Act of 1974 and Code of Federal Regulations Title 24, Part 570-Community Development Block Grants to operate the Community Development Block Grant Program (CDBG).

In 2013, the North Carolina General Assembly designated (through NC Session Law 2013-360, Section 15.15 (a) as modified by Section 5.3 of NC Session Law 2103-363) a portion of the state's CDBG funds to be transferred from the Department of Commerce to the Department of Environmental Quality (formally Department of Environment and Natural Resources) for critical public water and wastewater projects. The Department of Commerce is the state's lead agency held accountable to HUD, with each department responsible for their respective grant programs' compliance.

The purpose of the Community Development Block Grant – Infrastructure (CDBG-I) program under the Department of Environmental Quality (DEQ) is to address public water and wastewater infrastructure needs to mitigate public and environmental health problems in areas where the percentage of low to moderate income persons is at least 51 percent.

CDBG funding for other types of projects are available through the North Carolina Department of Commerce.



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## NATIONAL OBJECTIVE

The authorizing statute of the CDBG program requires that each activity, except planning and administrative activities, must meet one of the HUD's CDBG Program three national objectives:

**1. Benefit to low- and moderate-income (LMI) persons.**

This objective is often referred to as the “primary” national objective because the statute requires that recipients expend 70 percent of their CDBG funds to meet the LMI national objective. There are four subcategories that can be used to meet the LMI national objective; however, the CDBG-I program only uses two of these (a and b, bolded below):

- a. **Area Benefit Activities (Low-Mod Area or LMA)**: An area benefit activity is one that benefits all residents in a particular area (primarily residential), where at least 51 percent of the residents are LMI persons. The CDBG-I program **USES** this national objective.
- b. **Housing Activities (LMH)**: The housing category of LMI benefit national objective is undertaken for the purpose of providing or improving permanent residential structure which, upon completion, will be occupied by LMI households. The CDBG-I program **USES** this national objective for connecting/hooking existing, new or rehabilitated LMI residential buildings up to water and wastewater lines.
- c. **Limited Clientele Activities (LMC)**: Under this category, 51 percent of the beneficiaries of an activity must be LMI persons. Activities in this category provide benefits to a specific group or persons rather than everyone in an area.

NOTES:

## NOTES:

- Benefit a clientele that is generally presumed to be principally LMI (i.e., abused children, battered spouses, elderly persons, severely disable adults, homeless persons, illiterate adults, persons living with AIDS, migrant farm workers, or have income eligibility requirements limiting the activity to LMI persons only or be of such a nature and in such a location that it can be concluded that clients are primarily LMI). The CDBG-I program DOES NOT USE this national objective. (However, this national objective was used for the previous school infrastructure grants)
- d. Job Creation or Retention Activities (LMJ): The job creation and retention LMI benefit national objective addresses activities designed to create or retain permanent jobs, at least 51 percent of which (computed on a full-time equivalent basis) will be made available to or held by LMI persons. The CDBG-I program DOES NOT USE this national objective.

## 2. **Aid in the prevention or elimination of slums or blight.**

Activities under this national objective are carried out to address one or more of the conditions, when carried out, contributed to the deterioration of an area designed as a slum or blighted area. The focus of activities under this national objective is a change in the physical environment of a deteriorating area. Under the elimination of slum and blight national objective, determining the extent of and physical conditions that contribute to blight is central to qualifying an activity. The CDBG-I program DOES NOT USE this national objective.

3. **Meet community development needs having urgency to public health or safety.** Use of the urgent need national objective category is rare. It is designed only for activities that alleviate emergency conditions. The CDBG-I program DOES NOT USE this national objective.

Grantees must maintain the national objective they used to receive their CDBG-I grant in order retain eligibility. At any time, a national objective is not met anymore, the grantees will have to repay any CDBG funds received, and the remaining grant funds are deobligated.

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## PUBLIC INFRASTRUCTURE ACTIVITIES

Infrastructure project purposes under the CDBG-I program are described in detail in the latest CDBG-I Program Priority Rating System Guidance, which can be found on the Division website under [Application Forms and Additional Resources](#).

## STANDARD PROCEDURES & RESPONSIBILITIES

A variety of procedures and milestones, listed in letter of Intent to Fund (LOIF) and grant agreements exist that must be fulfilled for CDBG-I grants to be successful. We want to ensure an effective and efficient use of public dollars; therefore, each grantee must follow the procedures to meet designated milestones outlined in the grant agreement and LOIF. The milestones are to be viewed as maximum time allowed for each task.

The requirements of the CDBG-I program should not be viewed as a hindrance. Rather, they are tools for the community to protect their own and the public's interests as investors in the infrastructure project.

Each area of responsibility is discussed in greater detail in later chapters, and/or in supplemental guidebook (i.e., Environmental Information Document) to this Manual. **Briefly, these grant**

**responsibilities include:**

1. Grant Oversight and Recordkeeping
2. Financial Management and Audits
3. Reporting and Performance Requirements
4. Compliance Plans and Policies and Ongoing Compliance
5. Procurement and Contractor Management (including BABA)
6. Engineer Report, Design and Bid Documents and Specifications (including BABA)
7. Labor Standards & Construction Management (including BABA)
8. Acquisition and Relocation
9. Monitoring and Closeout

Knowledge of these responsibilities allows grantees to start initial planning of the administrative structure and processes to make certain that these responsibilities are fulfilled. Decisions must be made about how the grant will be administered and who will be responsible for various tasks that must be carried out along the way to project completion. The grantees bears the ultimate responsibility and oversight of the grant performance, compliance, and their procured contractors.

## GRANT START-UP REQUIREMENTS

Here are items grantees should act on– if grantees have not already – to get started.

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*If a grant subaward has a condition(s) attached to it, please complete, and submit the necessary condition(s) ASAP (as identified in the Intent to Fund letter) to the Division for review and approval. Once the condition(s) is (are) met, staff will complete and send grant subrecipients their grant contract to execute.*

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## NOTICE OF AWARD

Once grantees receive their Notice of Award letter from the Division and provides any award conditions to the Division, the Grantee needs to determine the overall grant management structure and who will be responsible for specific tasks. If outside firms will be procured to assist with grant administration and/or engineering, it is strongly recommended that these services are procured as soon as possible to avoid milestone delays. More information is discussed under “Grant Administrator Selection” and “Grant / Project Engineer Selection.”

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## SAM.GOV REGISTRATION AND UNIQUE IDENTIFICATION NUMBER

All grantees must keep their SAM.gov registration active throughout the life of the grant to remain eligible to receive federal funds.

In addition to the grantees, potential contractors must be registered and active with SAM.gov. An active registration, without exclusions, in SAM.gov is required to apply for a CDBG grant and for any entity to receive funding through the CDBG grant. HUD requires NCDEQ to check annually each grantees’ debarment/exclusion status in the

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federal SAM database and place a record in the file and each grantee is responsible to check their procured contractors prior to awarding contracts. Documentation of this check must be in the grantee's grant files.

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## GRANT CONTRACT (GC) EXECUTION & NOTICE OF INTENT TO FUND

When grantees receive their CDBG-I grant contract, review it carefully. You may want your attorney to review it, as well. If there are changes that should be made, notify the assigned CDBG-I grant contract administrator/grant representative immediately (front page of GC). If everything is correct, have it

signed in the appropriate  
place by the Chief Elected  
Official (CEO) for the project.  
Return at least one originally  
signed document to the

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*Regardless of the administrative method  
used, the grant recipients hold the  
responsibility of seeing the grant is carried  
out properly and retains liability for the grant.*

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Division. The Division will  
sign the contract, and an executed copy will be mailed to the grantees for  
their records. Once grantees receive their final executed (signed and  
dated) contract from the Division, grantees may approve and sign grant  
administration and engineer contracts.

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## MANDATORY PROFESSIONAL PROCUREMENT TRAINING

Grantee participation in procurement training is required, once an award  
is made. The mayor, manager, or administrator (authorized  
representatives and local compliance officer) are required to attend this

virtual two-hour training. The training covers all the requirements for compliance with procurement of grant administrators and project engineers. This training assures that the local government authorities are aware of their responsibilities under the CDBG program, and that the local authorities understand the different procurement methods for these services. Training is free and conducted by the CDBG-I Unit Compliance Specialist.

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## GRANT ADMINISTRATOR SELECTION

Each grantee must take into consideration the grant administrator activities / responsibilities. The following are considered administrative activities.

1. Preparation of the schedule for completion and submittal of all environmental review documents, reviewing the publication of required public notices and monitoring the process for release of all environmental conditions. Preparation of the Environmental Review Record. This may be performed by either the grant administrator or the engineer.
2. Preparation, completion, and submittal of all necessary documents to satisfy all other conditions necessary to obtain release of grant funds, including the following:
  - a. Administrative contracts / interlocal agreements condition.
  - b. Engineering service agreements / contracts.
  - c. Environmental Review Record and Request Release of Funds condition.

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- d. Other identified funding conditions in the grant contract.
3. Assist with establishment and maintenance of project files and financial management records in accordance with CDBG and DWI requirements. The grantee has the ultimate responsibility of project files and financial management.
4. Preparation, completion, and submittal of all required reports, including, but not limited to, the following:
  - Quarterly Performance Report (QPR)
  - Semi-Annual Labor Standards Enforcement Report (SALSER)
  - Annual Debarment Certifications
  - Annual Performance Reports, includes annual compliance reports (APR)
  - Final Report
5. Coordination of Division compliance monitoring visits, including completion of all monitoring checklists and any other document required for satisfaction of monitoring requirements.
6. Coordination necessary with Division, the local government, the public and any other group or agency for effective completion of all program compliance activities, including attendance at local government meetings and compliance monitoring sessions.
7. Preparation and completion of all fair housing promotion activities identified in the Fair Housing / AFFH Plan on at least a quarterly basis.
8. Preparation, completion, submittal, and implementation of the following CDBG compliance plans and documents:



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- Environmental Review Record . This activity may be completed either by the project engineer or the grant administrator.
- Citizen Participation Plan.
- ~~Fair Housing / AFFH Plan.~~
- AFFH Certification
- ~~Analysis of Impediments to Fair Housing.~~
- Equal Housing Opportunity Resolution.
- Equal Housing Opportunity Resolution.
- Fair Housing Compliant Procedure.
- Equal Employment Opportunity Plan .
- Section 3 Plan.
- Section 504 Self-Evaluation Plan.
- Section 504 Grievance Procedure.
- Language Access Plan.
- Residential Anti-Displacement and Relocation Assistance Plan.
- Labor Standards, including worker interviews and payroll review, determining applicable wage decisions, and submitting compliance requests to contractors.
- Financial Reimbursement Forms, Pay Request Checklists, Documentation and Compliance. This activity may be completed by either the grant administrator or the project engineer.
- Code of Conduct/Conflict of Interest Policy.
- Excessive use of Force Policy, prohibiting excessive force during peaceful civil rights demonstrations.

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- Procurement Plan to meet the *CDBG-I Procurement Policy*.
9. Program close-out, including management of closeout public hearing process and preparation, completion, and submittal of the following documents:
- a. All third-party invoices and expenses must be paid/expended by the time the closeout public hearing is held.
  - b. Cover letter for documents submitted; describe anticipated program income or deobligated funds. Also include a statement in this cover letter stating all third-party invoices (primes and subs) are paid in full.
  - c. If improvements were made to Mobile Home Parks (HMP), there must be a No Change of Use statement signed by MHP owner on file, where no changes in use will occur for at least one year after completion of improvements.
  - d. Engineer's Final Inspection Letter.
  - e. DWI CDBG-I Project Closeout Checklist – completed, signed, and dated.
  - f. Public Participation Documentation:
    - i. Copy of adopted minutes from the closeout public hearing or certification signed by Authorized Representative (AR).
    - ii. Copy of closeout public hearing advertisement from newspaper.
    - iii. Copy of affidavit of publication of the closeout public hearing advertisement or tear sheet.
  - g. Closeout Package Reports:
    - i. Certificate of Completion, signed by AR.

- ii. Applicable Accomplishments and Beneficiaries Form(s).
  - iii. Property Disposition Form.
  - iv. Use of Non-ED Program Income Form.
  - h. Grantee Section 3 Reporting Form.
10. Technical services required to implement the project, which may include:
- Verification of annual income of households connecting to a water or sewer line.
  - Preparation of documentation indicating the low to moderate income benefit of the project activities.
  - Program management coordination and communication with engineering firm in the project.
  - Complete record keeping and tracking of all expenditures.
  - Processing of invoices, change orders, and requisitions for funds.
11. Other allowable costs include travel expenses for the local government leaders to attend the mandatory trainings, based on local government per diem rates.

The planning, administering, and operating a CDBG project is a rewarding – but challenging – venture. Therefore, selecting a grant administrator is an important step. There are three basic approaches a grantee can take to manage their CDBG-I grant.

- 1) The community may manage the grant itself, using available staff.
- 2) The community may hire new staff specifically for purposes of managing the grant.

- 3) The community may contract with a third party (e.g., a regional planning commission/regional council of governments, private consultant, and private engineering firm).

Each approach has advantages and disadvantages, and the choice should be made based on careful consideration of the circumstances in the community and the nature of the funded project. Below is a closer look at these approaches.

### **Using Current Staff**

Using current staff can have many benefits such as: internal knowledge and awareness of town procedures and goals for the project that will ensure project implementation in a way that is consistent with those goals. However, the use of current staff will require sufficient time to undertake the added responsibilities. Staff will either need to work on an overtime, extra-compensation basis, or they will have to defer other tasks. Competent staff should be able to manage the program well if they engage in sufficient administrative planning. Previous work with federal grants is encouraged since a variety of Federal laws and regulations apply to project activities; however, the Division will provide technical assistance and training.

Current town staff whose time is committed to the grant project cannot be paid from the grant funds unless they receive overtime pay, their salaries are increased to reflect additional duties associated with the CDBG-I program, or their job descriptions are temporarily changed to defer or reassign duties. Grant funds are paid to the general fund and the extra pay dispersed through the regular employee-pay method.

Only the addition to their salary can be paid from grant funds and this **must** be approved by the Division before such salary costs are

incurred. All hours worked on the CDBG-I program **must** be documented with detailed timesheets for each employee involved and payment **must** coincide with hours worked. Suggested employee roles for local administration are included in Appendix 1.

### **Hiring New Staff**

Another approach is hiring new staff if current staff does not have sufficient time to administer the project. The advantage of this approach is that the person or persons hired for this purpose will be on hand a daily

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*If recipients are going to use existing staff, they must notify the Division for approval. DO NOT sign a Contract for Grant Administrator or Engineer Until After Grant recipients Received a Signed and Dated Contract with the Division*

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basis and will be able to work closely with local officials in administering the grant or will be the project engineer for the grant. However, it may be difficult to find qualified individuals for temporary, perhaps part-time, positions. Again, all employees paid from CDBG-I funds must document time spent on grant activities with detailed timesheets, as payment must be for CDBG-I work/tasks only.

### **Contracting Out**

The third approach is to contract with a regional planning commission/regional council of governments, a private consultant, or engineering firm to provide the necessary support. Many such organizations already have experience with CDBG and similar programs; however, the Division will provide technical assistance and training. They can bring considerable expertise to the community's project and relieve local officials and staff of much of the burden of administering the grant.

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Someone on the town staff should be familiar with project requirements so that the work of an outside administrator can be monitored properly, **as the grantee remains responsible for proper administration**. An administrator is simply another contractor of the town.

No grantees will be penalized if it does not have the capacity to properly administer the grant from existing staff members; rather, they should propose that an outside firm will be contracted or new staff will be hired, as appropriate, to administer the grant. Every grant must be administered by a competent person who will properly oversee the requirements set forth by Federal law and regulations; therefore, the grantee must be assured competent administration when deciding this issue.

The program administration structure should be guided by the scope and difficulty of the approved CDBG-I program, prior grant experience, proper internal control, and financial management requirements. For example, a small-scale water replacement project with a single construction contract need not have an elaborate management structure. On the other hand, a complex water or sewer project with new housing connections that will involve several contractors, easements, etc. will require a multi-level management structure.

If a grantee decides to retain an outside professional/organization to administer the project and proposes to use grant monies as all or part of administration payment, it must select an administrator according to the *CDBG-I Program Procurement Policy*, which requires that professional services be procured on a competitive basis (Request for Proposals).

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Procured professional contracts should be well-developed, carefully specifying the work tasks that will be completed and the time schedule for completion of said tasks. The grantees may wish to retain some administrative responsibilities in addition to financial management (which is the responsibility of the grantee and cannot be contracted out to a grant administrator). All such arrangements should be carefully spelled out in any contract. Procurement instructions are outlined in Chapter 5.

No matter the approach selected, **communication between all parties is EXTREMELY IMPORTANT** for successful and timely project completion. Each grantees needs to identify a point of contact between the following:

- ✓ Grantee and Division. (All correspondence must be signed the chief elected official (CEO) or an authorized representative identified by the resolution in the grant application)
- ✓ Grantee and administrator.
- ✓ Grantee and contractors.
- ✓ Grantee and engineer.

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## PROJECT ENGINEER SELECTION

Due to the nature of our program, a professional engineer will need to be procured. To select a project engineer, grantees must procure in accordance with *CDBG-I Program Procurement Policy*, which requires that professional services be procured on a competitive basis (Request for Qualifications).

Procured professional contracts should be well-developed, carefully specifying the work tasks that will be completed and the time

schedule for completion of said tasks. All such arrangements should be carefully spelled out in any contract. Procurement instructions are outlined in Chapter 6.

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## MANDATORY ENVIRONMENTAL TRAINING

Once funds are awarded; each grantee must designate a responsible entity\* who will review and sign off on the environmental report. The designated responsible entity and the person who will prepare the environmental report must attend environmental report training. This training assures the proper report is prepared, and that the responsible entity understands what they are signing when the report is complete. Training is free and conducted by Division staff. Travel costs may be reimbursed from the grant's administrative funds. Local government per diem rates apply. Provide a copy of the local government per diem rates if requesting travel reimbursement.

Each grantee and environmental information document preparers must attend this mandatory training on how to prepare and submit environmental information documents and environmental review record (EID/ERR). This training will be scheduled at multiple locations (typically) throughout North Carolina. There is an open-book test at the end of the training. Once grantees have attended this training, they will receive a certification that is good for the life of the grant project.

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*\*The unit of local government's responsible entity must be in a management position in the local government and must be able and willing to sign the environmental documents. It does NOT have to be the chief elected official. If the wrong person (i.e., anyone other than the designated responsible entity) signs your environmental document, construction may be delayed by four to six weeks.*

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## MANDATORY FEDERAL COMPLIANCE TRAINING

Compliance training is required once an award is made to a grantee. The mayor, manager, or administrator (authorized representatives and local compliance officer) are required to attend this training. The training covers all the requirements for compliance to: Title VI Civil Rights Act, the Fair Housing Act, Equal Employment and Procurement, Section 3, Section 504, Language Access Plan requirements, the Anti-Displacement and Relocation Assistance requirements, and the Labor Standards Act.

This training assures that the local government authorities are aware of their responsibilities under the CDBG program, and that the local authorities understand the plans they are required to adopt for compliance. Training is free and conducted by the CDBG-I Unit Compliance Specialist. For the local government employees attending, travel costs may be reimbursed from the grant's administrative funds; the local government per diem rates apply.

Each grantee and their local compliance officer (a local government staff member) must attend a mandatory workshop on Federal Compliance requirements. This workshop will be scheduled at multiple locations (typically) throughout North Carolina. Each of the Federal compliance areas and their requirements will be briefly discussed during this workshop. Once grantees have attended this workshop, they will receive a certification that is good for the life of the grant.

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## FINANCIAL FORMS

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There are numerous financial authorizations forms the Division will be sending out to each new grantee. These forms must be completed and sent via mail to the Division and the other identified state agencies listed on the forms. If additional copies of these forms are needed, they can be found on the Division website here, under [CDBG-I Financials](#).

**1. Resolution of Authorized Signatures.**

At the time grantees submitted their grant application, grantees completed a Resolution of Authorized Signatures. All written correspondence must be signed by the CEO, or an authorized designee identified by this resolution and must reference their grant agreement number. Another resolution must be passed and submitted to the Division if more signatures are added and/or changed. It is recommended only titles are identified in the resolutions instead of actual names of individuals. It is the recipient's responsibility to notify the Division of key staff changes.

**2. Financial Signatory Form and Certification.**

Each grantee must complete and submit a Signatory Form and Certification to the Division to authorize individuals to sign Requisition for Funds forms and invoices.

Two authorized signatures are required on all Reimbursement Request for Funds forms and one authorized signature on invoices. The Division will check the signature on each submission to ensure that it matches the authorized signatures on the Signatory Form and Certification. Only the signatures of persons shown on the Signatory Forms and Certification will be accepted.

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To allow for flexibility in making requisition requests, it is recommended that four authorized signatures appear on the Signatory Form and Certification. Local governments may choose one of two options in completing the Certification.

- a. If the local government chooses to use the first option, the chief elected official (CEO), or the chief finance officer (CFO) must sign the form as the certifying official. In signing as the certifying official, the CEO or CFO certifies that: 1) the signatures are authentic and 2) that the persons designated as signatories are authorized to sign requisitions for payment.
- b. If the CEO or CFO is the certifying official, that person may not also be an authorized signature. If the grantees wishes to have both the CEO and CFO sign requisitions for payment, the grantees should select the second option for certification. In this case, the governing board must pass a resolution authorizing sufficient persons to act as signatories. In addition, an individual who is not designated as a signatory must certify the authenticity of the authorized signatures. Anyone who knows all the persons authorized to sign requisitions may sign as the certifying official. Another local government staff person or member of the governing body is recommended.

If a grantee wishes to change the persons authorized to sign the requisition for funds form, a new Signatory Form and Certification must be submitted to the Division.

### **3. W-9 Form.**

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This form is a required form to receive funds from the State of North Carolina. Complete and submit to the State.

**4. Sales Tax Certification Form.**

Complete and submit to the Division this form. This form indicates how sales tax will be handled for the project. There are two options:

- 1) The unit of general local government will not request reimbursement from the N.C. Department of Revenue (DOR). Therefore, sales tax will be included with the reimbursement request to the Division of Water Infrastructure (DWI).
- 2) The unit of general local government will request reimbursement from the DOR. Therefore, sales tax will be reduced and shown on the payment request form on the line “*Program Income*”.

**5. Vender Electronic Payment Form.**

Complete and submit to the State Agency listed on the form. CDBG-I funds are electronically deposited into grantees designated bank accounts. Each grantee should use either an interest or non-interest-bearing checking account to receive CDBG-I funds. These funds cannot be intermingled with other funds.

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**START-UP MEETING**

This meeting will occur within 60 full days of contract execution with the State, or within 60 days of the grant administrator and engineering firm selection by the grantees, whichever occurs first. Your assigned grant

representative will be in contact to schedule a start-up meeting including all parties (key local government personnel, grant administrator, project engineer, and the Division). The grant contract and key procedures and policies are discussed at this meeting.

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## THE NEXT STEPS

Congratulations on completing the initial implementation steps; however, there are still some major tasks to be done. Here are additional action items to be taken.

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## ESTABLISH FINANCIAL MANAGEMENT AND REPORTING PROCEDURES

There is a specific process to be used to “draw down” federal funds. As mentioned briefly above, grant funds must stand alone and cannot be mingled with other grants or other sources of funding. Additionally, there are some important financial managements and reporting requirements with which recipients must comply. Review Chapter 8 carefully for instructions on financial management and how to request CDBG funds. Do not wait until the last minute when grantees have a pile of invoices to pay to review this material.

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## COMPLETE & SUBMIT ENVIRONMENTAL REVIEW DOCUMENTS

After attending the mandatory EID workshop, receiving their final executed grant contract, and identifying the responsible party who will be preparing this document, grantees may begin the process of completing and submitting this funding condition.

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*Remember, grant recipients cannot obligate or expend funds for any project activity except for administrative activities (soft costs) until the environmental requirements are met.*

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The environmental review process required by federal law has some built-in time constraints. Therefore, plan to allow adequate time to allow potential requests from the Division for additional information and necessary comment periods. Chapter 6 provides a summary of the environmental review process; in addition, refer to the supplemental guidebook grantees receive at the workshop to assist grantees complete this requirement.

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## COMPLETE & SUBMIT ENGINEERING REPORT (ER)

After identifying the responsible party, either current local staff or a procured engineering firm, who will be preparing this document, grantees may begin the process of completing and submitting the engineering report. This process can take a considerable amount of time to complete, so plan to allow adequate time to allow potential requests from the Division for additional information and necessary comment periods. In addition, for projects that must adhere to Build America, Buy America (BABA), refer to the [BABA guidance document on the Division website](#).

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## COMPLETE & SUBMIT COMPLIANCE PLANS & POLICIES

After attending the mandatory compliance workshop and identifying the responsible party who will be preparing these plans, grantees may begin the process of completing and submitting their compliance plans and policies.

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## COMPLETE ADDITIONAL FUNDING APPROVAL CONDITIONS

In addition to the standard funding conditions (EID and copy of grant administration contract), CDBG-I grant agreements may have some special funding conditions that must be completed and cleared before grantees may incur costs (other than administrative activities) on their projects. These funding approval conditions must be submitted prior to the Request for Release of Funds (RROF).

Until a grantee's RROF is approved, the only expenses and activities that can be expended by grantees are grant administration activities (soft costs). These activities include activities required for the preparation of the environmental information documents, engineering report, compliance plans, supplemental administrative tasks (i.e., reporting, setting up files, etc.) and additional funding approval conditions. Please check the executed CDBG-I grant agreement for specific details on these funding approval conditions.

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## PROJECT BUDGET ORDINANCE AND CAPITAL PROJECT FUND

A (capital) project budget ordinance must be adopted by the governing board and placed in the financial file for the grant.

- Please make sure the grantees' auditor is made aware to reflect the amount of the Budget/Project Authorization, Revenue and Expenditure; Amounts recorded appropriately as Prior Years, Current Year and Total to Date for annual audit reporting.

If at any time the budget changes, it is recommended a new project budget ordinance be adopted for the project and placed in the grant files.

Each grantee must establish a Capital Project Fund in their accounting system to track all revenue and expenditures related to the CDBG-I grant. This Fund shall be illustrated as a schedule in each annual audit.

## STEPS FOR DOWN THE ROAD

Once the RROF has been approved, there are additional tasks to complete prior to construction and during the life of a CDBG-I grant. These tasks are discussed briefly below.

## ACQUISITION OF EASEMENTS AND/OR PROPERTY & RELOCATION

If the acquisition of easements and property (if applicable) is required for a CDBG-I project; these acquisition activities are considered choice-limiting actions. Grantees or any participant in the project may NOT commit funds (non-CDBG or CDBG) to an activity that may have an adverse environmental impact or limit the choice of reasonable alternatives. Therefore, the **acquisition of easements or property must wait until grantees receives their Release of Funds clearance.**

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However, per Part 58.22(d), an option agreement on a proposed site or property is allowable prior to the completion of the environmental review if the option agreement is subject to a determination by the grantees on the desirability of the property for the project because of the completion of the environmental review (in accordance with Part 58) and the cost of the option is a nominal portion of the purchase price. There is no constraint on the purchase of an option by third parties that have not been selected for CDBG funding, have no responsibility for the environmental review and have no say in the approval or disapproval of the project.

Funds may be committed for relocation assistance (if necessary for a grantees' project) before the approval of the RROF and related certification for the project provided that the relocation assistance is required by 24 CFR part 42. Chapter 7 provides additional information on easements. If easements and/or property acquisition are needed for the funded project, these must be finalized prior to the project going out for bid and will be a condition to receiving final design and bid spec approval from the Division.

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## DESIGN AND BID & SPECS PACKAGE

A complete design and bid package must be submitted for review and approval prior to the CDBG-I project going out for bids per the *CDBG-I Program Procurement Policy*. The submitted design and bid package will be reviewed against the approved application, EID and ER. For projects that must adhere to Build America, Buy America (BABA), refer to the [BABA guidance document on the Division website](#). Review Chapter 6 for complete requirements and information on this task.

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## CONSTRUCTION

Once grantees have received approval of their design and bid package, they can send their project out for bids per the *CDBG-I Program Procurement Policy*. A pre-bid meeting must be held to discuss the project and the federal requirements attached to it with potential bidders. Once a bid has been awarded, a pre-construction meeting must be held. Review Chapters 4 and 5 for complete requirements for procuring bids and requirements.

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## PROJECT REPORTING

As a CDBG-I project moves forward there are numerous reports grantees will be required to complete and submit during the duration of the grant. It pays to think ahead and plan for these tasks.

### **1. Progress Reports.**

There are numerous reports that are required during the life of a CDBG grant. These reports include 1) quarterly progress reports; 2) semi-annual labor standard reports; 3) an annual performance report; and 4) grant close-out report. Chapter 9 goes into further details with these reports.

### **2. Annual Audits.**

All grantees must meet applicable audit requirements outlined in 2 CFR 200 Subpart F no matter the status of their grant.

All grantees, with active open grants, are required to either complete and submit an Audit Certification Form (ACF), or a Single Audit Report (SA), depending on if the grantees expends the federal audit threshold (2 CFR 200.501(a)) or more during the

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entity's fiscal year in all federal funds (received directly from federal awarding agencies or indirectly from pass-through entities).

**If more** than the federal audit threshold in **all** Federal Programs are used during a fiscal year, the annual audit must also be posted to the [Federal Audit Clearinghouse \(FAC\)](#).

Failure to submit the required audit reporting by the due dates, the DEQ will suspend the draw-down of grant funds for active open grants and suspend review and/or acceptance of applications until the grantees is current on their audit reporting requirements. See Chapter 8 for additional information.

### **3. Final Grant Closeout Report.**

Once construction is complete, a final grant closeout report is required prior to submitting in the final requisition. This report is a summary of the project, its beneficiaries, and what was accomplished. Chapter 9 goes into further details on this report.

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## PROJECT MONITORING

Throughout the life of a CDBG-I grant, CDBG-I Unit staff will perform off- and on-site review/monitoring of each grantees' project. The purpose of this monitoring is to assess the performance and compliance with program requirements and to provide technical assistance as needed to make each project successful. A critical step in smooth monitoring is accurate, organized and easily accessible project files. Chapter 9 discusses monitoring in more detail.

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## ON-GOING PUBLIC PARTICIPATION COMPLIANCE

Public participation does not stop once a CDGB-I grant is awarded. Section 508 of the Housing and Community Development Act of 1987 requires citizen participation throughout a CDBG-funded project. Review Chapter 2 for specific participation requirements.

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## CHAPTER 1 - APPENDIX

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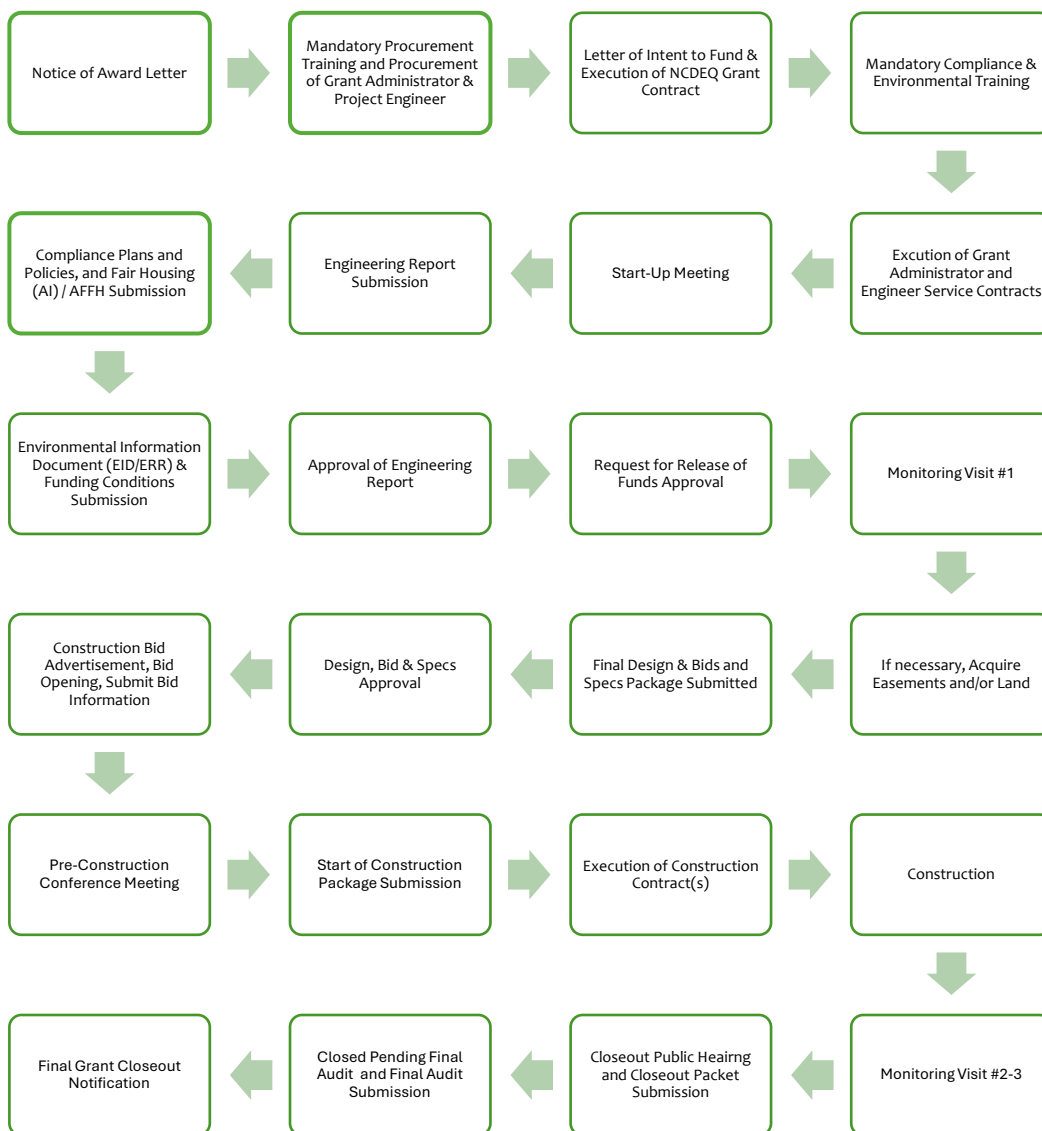
The Appendix for Chapter 1 contains the following:

- ✓ CDBG-I Program Schedule Flowchart
- ✓ Roles and Responsibilities
- ✓ Suggested Roles for Grant Administration by Local Grantee Staff

## CDBG-I PROGRAM SCHEDULE FLOWCHART

Each grantee is allowed approximately thirty-six months to complete the project. Below are the key components of a project (not including the on-going monitoring, financial reimbursements/advancements, reports, and other on-going tasks).

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## ROLES AND RESPONSIBILITIES

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### LOCAL GOVERNMENT ROLES AND RESPONSIBILITIES

The grantee's role and responsibilities are briefly summarized below and are outlined in 24 CFR Part 570 Subpart I, State Community Development Block Grant Program. It is the grantee's responsible to ensure the following:

**Management and Oversight.** The elected officials and authorized representative(s) are legally, financially, contractually, and programmatically responsible for the CDBG-I project and all third-party contractors (e.g., grant administrator, project engineer, construction contractor(s), etc.). Procuring and contracting with a third-party does not remove the responsibility of meeting the program requirements and milestones outlined in the grant agreement. The local government is responsible to the State of North Carolina and the Federal government in ensuring implementing the activities funded even if they have a grant administrator or a sub-recipient relationship with a single purpose unit of government.

**Financial Management.** The local government and its staff must ensure proper accounting of all funds in the projects. This includes accurate identification of project costs, project balances, proper internal controls, inclusion of grant funds in annual audits, and timely expenditure of funds.

**Statement of Assurances and Certifications.** The elected officials and/or authorized representative(s) should read and understand fully all documents related to this program and the implementation obligations.

**Continuous Communication.** The local government must ensure continuous communication amongst all parties involved in the CDBG-I

funded project (e.g., grant administrator, project engineer, CDBG-I staff, etc.).

**Grant Agreement/Contract.** The local government will receive a grant agreement and funding approval from the NCDEQ. These documents are contractually binding and cannot be changed without NCDEQ approval.

**Trainings and Meetings.** The local government must attend all mandatory training and project meetings (in-person or virtual).

**Expectations and Milestones.** The local government must ensure expectations and project milestones outlined in the grant contract letter are met, and all parties are aware of them.

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## GRANT ADMINISTRATOR ROLES AND RESPONSIBILITIES

Grant administration roles and responsibilities include, but are not limited to, standard tasks necessary for the implementation of the project in conformance with the following CDBG compliance areas:

Assists the Grantees with:

- ✓ Making sure the project is compliant with applicable federal and state regulations.
- ✓ Obtaining LMI verification documentation, if new connections are in project.
- ✓ Reviewing and managing Labor standards and Section 3 documents.
- ✓ Conducting the environmental review and release of funds and funding conditions.
- ✓ Maintaining grant records.
- ✓ Communicating between the grantee, the engineer, and people in the project area.
- ✓ Compiling grant reimbursements for submission to the state.



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- ✓ Easement and/or land acquisitions, if needed.
- ✓ Develops compliance documents and necessary reports.
- ✓ Attends and assists with project meetings (i.e., public hearings, pre-bid and pre-construction, public meetings, etc.)
- ✓ Ensures the national objective is continuously met and direct beneficiaries are verified correctly (if needed).

They are:

- ✓ Are paid only through the administrative line item in the project budget.
- ✓ Are not de facto mayors, authorized representatives or county managers.
- ✓ **Are not in charge of project engineers.**

The services will not include the disbursement or account of funds distributed by the local government financial officer, legal advice, fiscal audits, or assistance with activities not related to the CDBG-I project.

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## PROJECT ENGINEER ROLES AND RESPONSIBILITIES

Prior to the release of funds, the project engineer will prepare the engineering report and submission of said report.

Upon the Release of Funds, the engineer will:

- ✓ Prepare the final design and construction bid package in conformance with applicable regulations and requirements;
- ✓ Handle bid advertising, tabulation, and award process, including preparing the advertisements for bid solicitations, conducting pre-bid meeting, conducting bid opening, and issuing the notice to proceed;
- ✓ Assist with compliance with BABA;

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- ✓ Supervise the bid advertising, tabulation, and award process, including preparing the advertisements for bid solicitations, conducting pre-bid meeting, conducting bid opening, and issuing the notice to proceed;
- ✓ Conduct the pre-construction conference;
- ✓ Survey, field staking, on-site supervising of construction work, and preparing inspection reports;
- ✓ Review and approve all contractor requests for payment, change orders, and submitting approved requests to the governing body;
- ✓ Provide reproducible plan drawings to the local government upon project completion;
- ✓ Conduct final inspection and testing;
- ✓ Submit certified “as-built” drawings to appropriate authorities; and
- ✓ Prepare an operation and maintenance manual (if applicable).

They are not:

- ✓ De facto mayors, authorized representatives or county managers.
- ✓ Overseer/manager of the grant administrator or state how they should do their job.

May not claim administrative services in their engineering budget except for the engineering report and the environmental review document (if applicable).

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## SUGGESTED ROLES FOR GRANT ADMINISTRATION BY LOCAL GRANTEE STAFF

As noted in Chapter 1, there are several areas of responsibility related to CDBG-I project and overall grant management. Also, as noted, there are

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a variety of approaches that can be taken to administer the project. However, if it is useful for a local government to administer its own grant, it may be useful to think about two essential roles that should be clearly defined: Community Project Manager (CPM) and Community Finance Officer (CFO).

Responsibilities of Community Project Manager

This person will have overall project responsibility and will be the focal point for the resolution of any problems that may develop during the project implementation. Specifically, this individual will have the following responsibilities:

- ✓ Oversee recipient and contractor compliance with statutory / program requirements
- ✓ Contact person with the Division
- ✓ Recommend approval of third-party contracts
- ✓ Recommend approval for purchase orders
- ✓ Recommend and /or approve invoices/contractor payment
- ✓ Oversee field review of project activities
- ✓ Oversee project progress
- ✓ Oversee CDBG-I budget / project amendments
- ✓ Maintain project files
- ✓ Complete the Division reports on project performance
- ✓ Monitor third-party contracts
- ✓ Submit final close-out report(s)
- ✓ Oversee annual audit requirements

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RESPONSIBILITIES OF COMMUNITY FINANCE OFFICER

This individual is responsible for maintaining official CDBG-I financial records. The Finance Officer will be responsible for the following:

- ✓ Maintenance and control of accounting documents approved for processing by the Community Development Project Manager
- ✓ Preparation of financial report based on accounting records
- ✓ Preparation of grant requisitions (Request for Funds form) subject to review by Community Development Project Manager
- ✓ Entry of these and other accounting transactions into the local accounting system
- ✓ Writing checks and dispersing of CDBG-I funds
- ✓ Maintenance of financial process files (working files)

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In managing CDBG financial resources, there must be separation of duties regarding the request and receipt of CDBG-I monies. Proper internal control should be exercised to guard against opportunities for waste, fraud, and mismanagement.

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## CHAPTER 2 - CIVIL RIGHTS REQUIREMENTS

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This chapter describes all the federal requirements related to civil rights, equal opportunity and fair housing which apply to the CDBG program. This chapter covers the major areas where CDBG civil rights compliance is mandatory. Therefore, grantees should review this chapter carefully to ensure on-going compliance.

### CIVIL RIGHTS REGULATIONS AND STATUTES

Each CDBG-Infrastructure (CDBG-I) grant contract lists several federal regulations related to civil rights, equal opportunity, and fair housing. Basically, these regulations mandate that no person in the United States shall, on the grounds of race, color, national origin, religion, creed, age, sex, disability, familial status, political affiliation, citizenship, gender identity, or sexual orientation be denied benefits or be subjected to discrimination under any program funded in whole or in part with federal funds. By signing the CDBG-I grant contract, grantees certify that they will comply with the regulations and statutes connected to the CDBG federal program.

Below are brief summaries of the applicable Civil Rights provisions that apply to the CDBG-I program. Grantees may refer to each source for a more in-depth understanding of the nondiscrimination requirements contained therein.

- ✓ **Title VI of the Civil Rights Act of 1964** provides that no person shall be excluded from participation, be denied program benefits, or subjected to discrimination based on race, color, or national

origin under any program or activity receiving Federal financial assistance. The **Restoration Act of 1987** restores the broad scope of coverage and clarifies the application of the Civil Rights Act of 1964. It also specifies that an institution which receives Federal financial assistance is prohibited from discriminating based on race, color, national origin, religion, sex, disability, or age in a program or activity which does not directly benefit from such assistance.

- ✓ **Title VIII of the Civil Rights Act of 1968 (Federal Fair Housing Act)** prohibits discrimination in the sale, rental, advertisement, and financing of residential real estate based on race, color, religion, sex, or national origin. **The Fair Housing Amendments Act of 1988** extended this protective coverage to handicapped individuals (disability) and families with children (familial status) as well; in addition, created an exemption to the provisions barring discrimination based on familial status for those housing developments that qualify as housing for persons aged 55 or older. Furthermore, Title VIII requires the U.S. Department of Housing and Urban Development to administer its programs in a manner that will affirmatively promote fair housing.
- ✓ **Section 109 of Title I the Housing and Urban Development Act of 1974, as amended**, provides that no person shall be excluded from participation, including employment; denied program benefits; or subject to discrimination based on race, color, national origin, or sex under any program or activity funded in whole or in part under Title I of the Act.
- ✓ **Section 504 of the Rehabilitation Act of 1973, as amended**, provides that no otherwise qualified individual shall, solely by reason of his or her handicap, be excluded from participation,

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including employment; be denied program benefits; or be subjected to discrimination under any program or activity receiving Federal funds. The Americans with Disabilities Act (ADA) extends Section 504 accessibility standards to all state and local government facilities, services, and communications.

- ✓ **Americans with Disabilities Act of 1990 (ADA)** modifies and expands the Rehabilitation Act of 1973 to prohibit discrimination against “a qualified individual with a disability” in employment and public accommodations. The ADA requires that an individual with a physical or mental impairment who is otherwise qualified to perform the essential functions of a job, with or without reasonable accommodation, be afforded equal employment opportunity in all phases of employment.
- ✓ **The Age Discrimination Act of 1975**, as amended, provides that no person shall be excluded from participation, denied program benefits, or subjected to discrimination based on age under any program or activity receiving Federal funds.
- ✓ **Executive Order 10063** provides that no person shall, based on race, color, religion, sex, or national origin, be discriminated against in housing and related facilities provided with Federal assistance, and lending practices with respect to residential property when such practices relate to loans insured or guaranteed by the Federal Government.
- ✓ **Executive Order 11246, as amended**, provides that no person shall be discriminated against based on race, color, religion, sex or national origin in any phase of employment during the performance of Federal or Federally assisted contracts more than \$10,000. This includes federally assisted construction contractors and subcontracts.



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- ✓ **Executive Order 11259** provides that the administration of all Federal programs and activities relating to housing and urban development be carried out in a manner to further housing opportunities throughout the United States.
- ✓ **Equal Employment Opportunity Act** empowers the Equal Employment Opportunity Commission (EEOC) to bring civil action in Federal court against private sector employers after the EEOC has investigated the charge, found “probable cause” of discrimination, and failed to obtain a conciliation agreement acceptable to the EEOC. It also brings Federal, State, and local governments under the Civil Rights Act of 1964.
- ✓ **Immigration Reform and Control Act (IRCA) of 1986**, employers may hire only persons who may legally work in the U.S.,(i.e., citizens and nationals of the U.S.) and aliens authorized to work in the U.S. The employer must verify the identity and employment eligibility of anyone to be hired, which includes completing the Employment Eligibility Verification Form (I-9).
- ✓ **Uniform Guidelines on Employee Selection Procedures adopted by the Equal Employment Opportunity Commission in 1978**, this manual applies to employee selection procedures in the areas of hiring, retention, promotion, transfer, demotion, dismissal and referral. It is designed to assist employers, labor organizations, employment agencies, licensing and certification boards in complying with the requirements of Federal laws prohibiting discriminatory employment.
- ✓ **Vietnam Era Veterans’ Readjustment Act of 1974 (revised Jobs for Veterans Act of 2002)** ensures equal employment opportunity for qualified disabled veterans and veterans of the Vietnam War.

Affirmative action is required in the hiring and promotion of veterans.

- ✓ **Section 3 of the Housing and Urban Development Act of 1968**, as amended, provides that, to the greatest extent feasible, make good faith efforts to establish priorities for training, employment and contracting opportunities for Targeted Section 3 Workers, Section 3 Workers, and Section 3 Business Concerns regardless of race and /or gender.
- ✓ **Violence Against Women Act (VAWA)**, as amended, is a federal law that, in part, provides housing protections for people applying for or living in units subsidized by the federal government and who have experienced domestic violence, dating violence, sexual assault, or stalking, to help keep them safe and reduce their likelihood of experiencing homelessness. The Office of Fair Housing and Equal Opportunity (FHEO) will implement and enforce the housing provisions of VAWA consistent with, and in a manner that provides, the same rights and remedies as those provided for in the Fair Housing Act. VAWA protects survivors, regardless of their sex, gender identity, or sexual orientation AND regardless of the sex, gender identity or sexual orientation of the person who caused harm.

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## STEPS FOR COMPLIANCE WITH CIVIL RIGHTS

The Division has established procedures or steps to ensure that grantees comply with federal equal opportunity and housing regulations referenced earlier. The Division also requires some additional procedures related to encouraging small and minority business

participation in CDBG funded contracts. All policies, plans and/or resolutions must be adopted or reaffirmed for every grant.

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#### STEP 1: CIVIL RIGHTS (TITLE VI) OFFICER (CRO)

Grantees must designate a Civil Rights Officer/Title VI (CRO) or a local compliance officer. The CRO will be responsible for ensuring all compliance requirements are met and all documentation related to compliance is in the grant files. Grantees are the ultimately responsible entity for the enforcement of the Civil Rights Requirements. Therefore, the CRO must be a local government staff member and not be a third-party consultant.

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#### STEP 2: COMPLETE, ADOPT AND SUBMIT COMPLIANCE PLANS AND POLICIES

Each grantee must complete, adopt, and submit copies of their local government's compliance plans and policies by the milestone date stated in the letter of intent to fund for each open and active CDBG-I grant. These plans and policies should be local government, not grant number, specific so they can be used for multiple grants. These plans and policies will be good for the life of the grant and will be amended as needed. Below describes the following required plans and policies:

- Code of Conduct (Conflict of Interest)
- Excessive Force Provision
- Citizen Participation Plan \*
- Language Access Plan \*
- Section 504 Self-Evaluation Survey \*
- Section 504 Grievance Procedure
- Residential Anti-Displacement and Relocation Assistance Plan
- ~~Analysis of Impediments to Fair Housing Choice (AI) \*~~
- Affirmatively Furthering Fair Housing (AFFH) Plan \*

- Equal Housing Opportunity Resolution
- Fair Housing Complaint Procedure
- Procurement Plan and Policy
- Equal Employment Opportunity
- Section 3 Resolution and Plan

While some of the civil rights regulations simply prohibit discrimination, others will require each grantee to take some affirmative steps or on-going action. Note: Plans that with a \* next to them require additional or unique information from the grantee.

### **Code of Conduct** (Conflict of Interest)

Grantees must have written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award, and administration of contracts. Grantees must submit to the Division an adopted Code of Conduct. A sample template can be found on our website under [CDBG-I Compliance and Reporting Information](#). Make sure you remove the Division header and footer information before completion and adoption.

### **Excessive Force Provision**

Per Section 519 of Public Law 101-144, (1990 HUD Appropriations Act), grantees must acknowledge the ability to enforce the policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any and all individuals engaged in non-violent civil rights demonstrations, and that will enforce a policy of enforcing applicable state and local laws against physically barring entrance to or exit from a facility or location which is the subject of such non-violent civil rights demonstration within the local government. Grantees must submit to the Division an adopted Excess Force Provision. A sample template can be found on our website under [CDBG-I Compliance and Reporting Information](#). Make sure you remove the Division header and footer information before completion and adoption.

### **Citizen Participation**

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Citizen participation is required by Section 508 of the Housing and Community Development Act of 1987 and by federal regulations [24 CFR 570.486(a)(6)]. Therefore, grantees must provide community citizens with reasonable opportunities to be a part of the CDBG activities from the beginning to project closeout. CDBG projects have a better chance of success when citizens are continuously involved in the project from the beginning.

Grantees should have already provided an opportunity for citizen participation to comment on CDBG-I grant proposed activities prior to submitting their CDBG grant application into the State, during the project; in addition to if there are any substantial changes to their CDBG-funded project, citizens must have the same opportunities to comment on these changes. Substantial changes include changes in purpose, scope, location, or beneficiaries. Also, citizens must have the opportunity to comment on the performance of the project prior to grant closeout.

### **Citizen Participation Plan (CPP)**

As a CDBG-I recipient, grantees must complete and adopt a Citizen Participation Plan (CPP). The primary goal of the CPP is to provide citizens – especially LMI citizens of the community where CDBG-funded activities will take place – an opportunity to participate in an advisory role in the planning, implementation, and assessment of the project.

A written CPP must certify that access to information and participation in all stages of the project is provided. Local governments must certify that all citizens, especially residents of a proposed project area, had an adequate opportunity to participate in the planning and development of the CDBG application beyond the public hearing requirements. Grantees must submit to the Division and adopted CPP.

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A sample template can be found on our website under [CDBG-I Compliance and Reporting Information](#). Make sure you remove the Division header and footer information before completion and adoption.

On-going compliance with the plan must be documented, including the information made public and the means used to make it public. Specific on-going compliance includes, but is not limited to:

- ✓ Maintaining copies of all public meetings/hearings notices and adopted minutes for the project.
- ✓ Maintaining all requests for assistance and/or accommodations and complaints.

**Do not make substantial changes without citizen input. Compliance with the CPP reduces the number of legal challenges and citizen complaints against the local government.**

### **Language Access Plan (LAP)**

Grantees have an obligation to reduce language barriers that can preclude meaningful access by Limited English Proficient (LEP) persons to important government programs, services, and activities. Title VI of the Civil Rights Act of 1964, 42 U.S.C. 2000(d) and its implementing regulations require that grantees take responsible steps to ensure meaningful access by LEP persons. Therefore, grantees must complete and adopt a Language Access Plan and submit a copy to the Division. A sample template can be found on our website under [CDBG-I Compliance and Reporting Information](#). Make sure you remove the Division header and footer information before completion and adoption.

On-going compliance with the plan must be documented, including the information made public and the means used to

make it public. Specific on-going compliance includes, but is not limited to:

- ✓ Having an adopted LAP and documentation on how LEP were identified.
- ✓ Responding to requests for translations and vital documents.
- ✓ Copies of all public notices and advertisements with required limited English proficiency statements.
- ✓ Ensuring LEP persons are aware of how to obtain information.
- ✓ Ensuring local government staff know how to handle requests.

### **Section 504 of the Rehabilitation Act of 1973 / Americans with Disabilities Act**

Grantees must complete the Section 504 Self-Evaluation Survey and adopt a Grievance Procedure, as well as complete a Transition Plan (applicable for those local governments who employ 15 or more persons), covering policies, practices, and physical accessibility and notify affected persons that it does not discriminate against based on the disability. These documents must be submitted to the Division.

Thus, the grantees shall complete the above-mentioned items, after consultation with interested persons, including individuals with disabilities or organizations representing individuals with disabilities:

- ✓ Evaluate its current policies and practices to determine whether, in whole or in part, they do not or may not meet the requirements of this part;
- ✓ Modify any policies and practices that do not meet the requirements of this part; and

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- ✓ Take appropriate corrective steps to remedy the discrimination revealed by the self-evaluation.

A grantee that employs fifteen (15) or more persons shall, for at least three years following completion of the self-evaluation survey mentioned above, maintain on file, make available for public inspection, and provide to the responsible civil rights official, upon request:

1. A list of the interested persons consulted;
2. A description of areas examined, and any problems identified; and
3. A description of any modifications made and of any remedial steps taken.

Recipients must address complaints to the Division only if the Compliance Plans cover a grant or multiple grants awarded by the Division. Grantees must address complaints to the Division and North Carolina Department of Commerce, only, if the compliance plan covers multiple grants awarded by both departments. A sample template of the Section 504 Self-Evaluation Survey and Grievance Procedure on our website under [CDBG-I Compliance and Reporting Information](#). Make sure you remove the Division header and footer information before completion and adoption.

On-going compliance with the plan must be documented, including the information made public and the means used to make it public. This on-going compliance includes, but is not limited to, the above-mentioned items, as well as the following:

- ✓ Maintaining copies of the self-evaluation survey, adopted grievance procedures, and transient plan (if applicable).



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- ✓ Maintaining a log of requests for accommodations and provision of reasonable accommodations.
- ✓ Ensuring appropriate auxiliary aids (TDD, TTY, audio visual presentations, qualified sign language and oral interpreters, readers, taped and Braille materials, large-lettered notices, posting notices at reading levels for wheelchair individuals), where necessary, are available for individuals with disabilities and have equal opportunity to participate in all CDBG program activities.
- ✓ Maintaining or having access to an accessible facility(ies) for the public to participate in meetings, etc.
- ✓ Maintaining a log of grievances and resolutions.

### **Residential Anti-Displacement and Relocation Assistance Plan**

Whether or not a CDBG-I project will involve the displacement and relocation of residents, grantees must have a plan to minimize residential displacement and to provide relocation assistance to displaced residents in a timely manner. A sample template can be found on our website under [CDBG-I Compliance and Reporting Information](#). Make sure you remove the Division header and footer information before completion and adoption.

On-going compliance with the plan must be documented, including the information made public and the means used to make it public. Specific on-going compliance includes, but is not limited to:

- ✓ Having an adopted plan and any re-adoptions.
- ✓ Maintaining a log of any assistance provided, with full demographics (see maintaining records section).

## **Fair Housing – Affirmatively Furthering Fair Housing (AFFH) Certification ~~Plan & Analysis of Impediments (AI)~~**

Fair housing has traditionally been a strong focus for civil rights efforts by HUD. Title VIII of the Civil Rights Act of 1968 and Title I of the Housing and Community Development Act of 1974 require grantees to take proactive steps/actions to affirmatively further fair housing in their communities.

HUD regulations require CDBG grantees to certify that they will affirmatively further fair housing as part of grant obligations. ~~Thus, grantees must develop and adopt a fair housing plan every five years for active grants. In addition, CDBG-I grantees must complete one fair housing activity/action each quarter the grant is open. A complete and adopted fair housing plan must be submitted to the Division.~~

~~Additional quarterly activities are required if the grant is open past the original closeout date.~~

Grantees can find a template on the Division website under [CDBG-I Compliance and Reporting Information](#). Make sure you remove the Division header and footer information before completion and adoption.

On-going compliance is required for this compliance area through documentation in their grant files to support the adopted Equal Housing Opportunity (EHO) /~~AFFH plan and compliance of said plan.~~ Specific on-going compliance includes, but is not limited to:

- ~~✓—Maintaining an adopted fair housing plan and necessary background documentation on how the local needs and issues were determined.~~

~~✓—Completing quarterly fair housing activities:~~

- ✓ Adopting fair housing compliant procedures and publishing them, with a newspaper affidavit of said notice.
- ✓ Including the equal opportunity notification (the house logo and/or tag line) in all public notices and advertisements.
- ✓ Keeping a log of fair housing complaints and associated documentation.
- ✓ Fair Housing resources can be found on the Division website under [CDBG-I Compliance and Reporting Information](#).

### **Procurement Plan (PP)**

Grantees follow the most restrictive procurement statutes and regulations for contracting services, goods, and materials that are purchased for a CDBG project. The CDBG-I program has its own procurement policy that must be adopted locally for use in the CDBG-funded project and followed for the program to pay for the acquired goods, service or material. Additional information on procurement is discussed in Chapter 5. However, for this Chapter, an adopted PP must be submitted to the Division. The most current CDBG-I Program Procurement Policy and an adoption resolution can be found on our website under [CDBG-I Compliance and Reporting Information](#). Make sure you remove the Division header and footer information before completion and adoption.

On-going compliance with the plan must be documented, including the information made public and the means used to make it public. Specific on-going compliance includes, but is not limited to:

- ✓ Maintaining a complete procurement file with all documentation related to procurement.

- ✓ These are further discussed and provided in Chapter 5.

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### **Equal Opportunity Plan (EOP)**

Grantees must describe and take actions to ensure, during their CDBG-I project, that no person or group is denied benefits such as employment, training, housing, and contracts generated by the federally funded activity based on race, color, religion, sex (includes sexual orientation and gender identity), national origin, age, disability, or political affiliation (state). In addition, for federally assisted construction projects greater than \$10,000, contractors may not discriminate against any employee or applicant based on the protected classes outlined in the above mentioned federal and state statutes and regulations. An adopted EOP must be submitted to the Division. A sample template can be found under [CDBG-I Compliance and Reporting Information](#). Make sure you remove the Division header and footer information before completion and adoption.

On-going compliance with the plan must be documented, including the information made public and the means used to make it public. Specific on-going compliance includes, but is not limited to:

- ✓ Reviewing existing local employment policies and including the EOP your local government policy manual/handbook.
- ✓ Including the equal opportunity employer notification in all employment and procurement advertisements.
- ✓ Including the applicable equal opportunity provisions and certifications in bid packets, contracts, and subcontracts. These are further discussed and provided in Chapter 4 and 5.

- ✓ Discussing these requirements with potential contractors and subcontractors during the pre-bid meeting and again at the pre-construction meetings.

### **Affirmative Action in Soliciting Minority-, Women- and veteran Owned Business Enterprises**

Executive Orders 11625, 12432 and 12138 require grantees to make every effort to solicit the participation of minority- and women-owned business enterprises (MBE/WBE) in their projects.

Thus, grantees must specify the outreach actions they will take to ensure the inclusion, to the maximum extent possible, of minorities and women and entities owned by minorities and women, in all contracts. Refer to Chapter 4 and 5 for further discussion on this requirement.

On-going compliance with this area will be checked at times of monitoring and at project completion. Specific on-going compliance includes, but is not limited to:

- ✓ Including the required encouragement language in all solicitation advertisements / notices.
- ✓ Directly soliciting small, minority and women owned businesses.
- ✓ Posting all solicitation advertisement / notices on State IPS and HUB websites.
- ✓ Notifying all contractors and subcontractors of their responsibility on complying with HUB requirements.

### **Section 3 – Economic Opportunities**

Section 3 of the Housing and Urban Development Act of 1968 [12 U.S.C. 1701(u) and 24 CFR Part 75] is HUD’s legislative directive for providing preference to low- and very low-income residents of the local community

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(regardless of race or gender), and the businesses that substantially employ these persons, for new employment, training, and contracting opportunities resulting from HUD-funded projects. As a condition of receiving HUD assistance, recipients certify that they will comply with the requirements of Section 3 annually for the life of the grant project pursuant to 24 CFR 570.607(b).

HUD requires that to the extent a recipient must prepare a strategic plan, action plan, or other such plan in accordance with HUD program regulations, such plans must include a general description of the recipient's official Section 3 policies and procedures.

Section 3 requirements apply to grantees that plan to obligate or commit an aggregate amount of \$200,000 or more in CDBG assistance to projects involving housing rehabilitation, housing construction, demolition, other public buildings, facilities, or infrastructure during a given annual reporting period (calendar year). The \$200,000 funding threshold is comprised of the combined expenditure of all sources of housing and community development financial assistance set forth in 24 CFR Part 75. Thus, all projects funded in whole or part with CDBG dollars must adhere to Section 3 requirements.

Additional information on Section 3 and its implementation in procurement and construction management is discussed in Chapter 4 and 5. However, for this chapter:

- ✓ The DEQ requires grantees to attend training which explains construction contracting, Section 3 requirements, Section 3 Business Concerns, tracking of labor hours and qualitative good faith efforts. .
- ✓ Each grantee must submit an adopted Section 3 Plan. A sample template can be found on the Division website under

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CDBG-I Compliance and Reporting Information. Make sure you remove the Division header and footer information before completion and adoption.

On-going compliance with this area will be checked at times of monitoring and at project completion. Specific on-going compliance includes, but is not limited to (see Chapter 4 and 5 for more information):

Each grantee (and their covered contractors, subcontractors, or *grantees*) are required to comply with the requirements of Section 3 for employment, training, or contracting opportunities resulting from the expenditure of covered funding. This responsibility includes:

- ✓ Implementing procedures to notify Section 3 workers and Section 3 Business Concerns about training, employment, and contracting opportunities generated by Section 3 covered assistance;
- ✓ Notifying potential contractors working on Section 3 covered projects of their responsibilities;
- ✓ Incorporating the Section 3 language into all covered solicitations and the Section 3 clauses in contractual documents;
- ✓ Facilitating the training and employment of Section 3 workers and the award of contracts to Section 3 business concerns;
- ✓ Assisting and actively cooperating with the Division in making contractors and subcontractors comply;
- ✓ Refraining from entering contracts with contractors that are in violation of Section 3 regulations;

- ✓ Documenting actions taken to comply with Section 3.  
Maintaining quantitative and qualitative data and documentation to support good faith efforts to comply with Section 3. See appendix for reporting requirements and a list of qualitative efforts
- ✓ Maintaining all reports and records relevant to Section 3.

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### STEP 3: MAINTAIN LOCAL GOVERNMENT RECORDS

The CDBG program requires a magnitude of documentation for all local government decisions and actions taken for a federally funded project. Thus, grantees must maintain complete grant files/records that are accessible for local, state, and federal review. These records/files include documentation for compliance areas discussed in this chapter, as well as all other chapters in this manual.

#### **Employment Records**

As a CDBG recipient, your local government is required to affirmatively further and promote equal opportunity in employment. As such, the following policies and procedures should be in place and documented:

1. A procedure to maintain personnel records sufficiently detailed to identify and monitor workforce composition by race, sex, and handicapped status.
2. A procedure to ensure local government hiring practices adhere to equal opportunity guidelines:
3. A procedure to document the circumstances surrounding any employment discrimination complaint filed against the grantee.

#### **Maintain Project Beneficiaries**

All activities funded, in whole or in part, by the CDBG-I grant must be implemented in a way that does not exclude from participation, deny the benefits of, or discriminate against persons based on race, religion, color, national origin, handicap, age, marital status or sex. It is your local government's responsibility to take whatever actions are necessary to prevent discrimination when providing CDBG funded services, facilities, and improvements.

To document compliance with this requirement of the CDBG program, the following data must be accurately collected and maintained:

1. A total count of direct project beneficiaries' data including, but not limited to housing unit owner name(s), renter name(s) , addresses, income levels, demographic data, household data, employees hired or retained, etc.).
2. A breakdown of beneficiary's data including, but not limited to, income levels, race, income level, handicap, and female head of household status.
3. A statistical analysis of program beneficiaries, by activity, to be submitted to the Division in the grant closeout documents.

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## CHAPTER 2 APPENDIX

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The following can be found in this appendix.

- ✓ Online Templates for Compliance Plans and Policies
- ✓ Civil Rights Responsibilities Checklist

### ONLINE TEMPLATES FOR COMPLIANCE PLANS AND POLICIES

The following [compliance plans and policy templates](#) are available on the [Division website](#):

- ✓ Equal Employment Opportunity Plan
- ✓ Section 504 Grievance Procedure
- ✓ Language Access Plan – *requires unique information*
- ✓ Section 504 Self-Evaluation – *requires unique information*
- ✓ Anti-Displacement and Relocation Assistance Plan
- ✓ Citizen Participation Plan
- ✓ Excessive Force Policy
- ✓ Procurement Plan
- ✓ Conflict of Interest / Code of Conduct
- ✓ Affirmatively Furthering Fair Housing (AFFH) Certification
- ~~✓ Analysis of Impediments to Fair Housing Choice (AI)~~
- ✓ Equal Housing Opportunity Resolution
- ✓ Fair Housing Complaint Procedure
- ✓ Section 3 Plan
- ✓ VAWA Certification

## CIVIL RIGHTS RESPONSIBILITIES CHECKLIST

NOTES:

- ☐ Setup Civil Rights / Compliance File.
- ☐ Designate a Civil Rights / Title VI Officer responsible for ensuring all compliance requirements are met.
- ☐ Complete, adopt, publish necessary notices for all compliance plans and policies
- ☐ Ensure all adopted compliance plans and policies are submitted to the Division of Water Infrastructure before or by the milestone date.
- ☐ Ensure all plans and policies are available to the public.
- ☐ Ensure the address, phone number, and times for submitting complaints and grievances to the local government are made public and provide timely written responses to grievances and complaints.
- ☐ Ensure “I Speak” signs and cards are provided in public areas.
- ☐ Ensure compliance notices, procedures, posters, flyers, and brochures are accessible to public.
- ☐ Ensure on-going compliance with compliance plans and policies.
- ☐ Keep documentation to illustrate compliance and requests from residents/citizens.

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## CHAPTER 3: LIMITED HOUSING REHABILITATION (LHR)

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The Chapter discusses the limited housing rehabilitation activities these CDBG-I program funds. Providing safe drinking water and wastewater systems to LMI residential properties falls under the category of housing, as those types of assistance provide a direct benefit to those receiving funding.

### LIMITED HOUSING REHABILITATION ACTIVITIES

The CDBG-I program offers three types of limited housing rehabilitation type projects:

1. Connecting existing LMI households to a public utility service to fix private infrastructure failure or containment.
2. Replacing private laterals within a larger public utility project to fix identified system issues.
3. Installing new private service laterals and hookups/connections to new or rehabilitated LMI households. These three project types are discussed further below.

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*In projects where the water and/or sewer main service lines (the lines in the right-of-way) are being upgraded or replaced, all properties and households (LMI and non-LMI) with an existing connection may be reconnected to the new main service line using CDBG funds. In these projects, the existing service and/or connection is considered part of the overall system and not a limited housing rehabilitation project. Thus, income verification is not needed.*

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## CONNECTING EXISTING LMI HOUSEHOLDS TO PUBLIC WATER AND/OR SEWER SERVICE

These types of projects are called “hook-up only” grants. These projects will connect existing houses/multi-family dwellings to existing or new public water and/or sewer service.

The installation of lateral service lines on private property and establishment of hookups/connections are considered a housing rehabilitation activity for income-eligible households; therefore, these income-eligible households must be occupied by LMI households for CDBG funds to be used to pay for these expenses at no cost to the household.

No over income household, vacant or non-residential properties can be newly connected with CDBG funds (see Eligible section for additional information). The project area may be individual houses or a group of houses within the local government’s boundaries.

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## REPAIRING AND/OR REPLACING PRIVATE LATERALS WITHIN A LARGER PUBLIC UTILITY PROJECT.

In rare circumstances, a public utility improvement project may have identified known private laterals that are causing either I/I or water loss issues and as part of the overall project, these private laterals can be replaced and/or repairs to fix the issue. In this scenario, only private laterals for LMI households can be paid for with CDBG funds, and income verification is needed.

## INFRASTRUCTURE SERVICE TO NEW OR REHABILITATED LMI HOUSING CONSTRUCTION

If a proposed project will extend water and/or sewer to new or rehabilitated LMI housing, the project is considered a limited housing rehabilitation (LHR) activity. Water and sewer extensions to new LMI housing are limited to housing constructed by public or private non-profit entities.

**For new construction, the LMI percentage for the project area is estimated at 100 percent.** Grantees must document and verify the LMI percentage of the residents of the new housing project at the end of the project. For rehabilitated housing, the LMI percentage in the project area must be at least 51 percent LMI and requires a survey of the residents.

### ELIGIBILITY

Since water and sewer connections/hookups are eligible under the Clearance, Rehabilitation, Reconstruction, and Construction of Buildings (Limited Housing Rehabilitation) eligibility category, this activity must meet the LMI housing criteria.

The LMI housing criteria requires income surveys of the project area and income verification of each direct beneficiary household (CDBG-assisted housing unit) prior to work being done on the project. For projects that connect homes to water or sewer, the majority of homes must be connected for the project to meet benefit requirements, and to avoid repayment of the grant.

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Each CDBG-assisted housing unit can be occupied by persons who are not related to each other. For purpose of meeting the CDBG national objective, the income of all persons occupying a CDBG-assisted housing unit must be counted, first without regard to their familial relationship, and second, by treating them (for this purpose only) as though they were all the same family. If the “household/family” income qualifies it as LMI, then the assisted housing unit would be occupied by an LMI household. This is the case because the benefits of the assistance are shared with all the occupants.

To remain an eligible housing unit, the house to benefit from the private lateral service line and hookup/connection must be occupied by a LMI household upon completion. Once

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*Grant recipients using CDBG funds for limited housing rehabilitation activities are responsible for determining and making public its standards for what constitutes “affordable rents,” for rental housing assisted with State CDBG funds. The CDBG program regulations do not contain any requirements for how long the affordable rents must be maintained.*

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income is verified, the local government has one year to provide benefits to that residential dwelling or income verification must be done again.

The housing can be either owner- or renter-occupied and can be either one family or multi-unit structures. When the housing is to be rented, for a dwelling unit to be considered to benefit a LMI household, it must be occupied by the household at affordable rents. **The grantees is responsible for establishing the criteria it will use to determine rent affordability for this purpose and must make these criteria public [24 CFR §570.483(b)(3)].**

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## OCCUPANCY RULE

Occupancy of CDBG-assisted housing by LMI households under this category is determined using the following general rules:

1. All assisted single unit structures must be occupied by LMI households,
2. An assisted two-unit structure (duplex) must have at least one unit occupied by a LMI household, and
3. An assisted structure containing more than two units must have at least 51 percent of the units occupied by LMI households.

For rental units to be connected to water/sewer, if an LMI tenant does not occupy a particular rental unit, the owner must pay for any connection or service line on private property (unless the owner is LMI).

For rental units or mobile home parks occupied by LMI tenants, the investor should pay for any connection, or service line for private property. **However, CDBG funds may pay these costs after the rental property owner enters into an agreement with the unit of local government to maintain affordable rents and rent to LMI households for at least one year.** Prior to grant closeout, the owner of these properties must sign a “No Change in Use” statement for at least one year from completion.

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## INCOME VERIFICATION PROCESS

As mentioned, households that receive CDBG assistance for limited housing rehabilitation activities must be income eligible. An income determination must be completed before assistance begins. A preliminary determination of eligibility should have been completed via an income survey prior to application submission.

*For limited housing activities, compliance with the LMI benefit national objective is based on the initial occupancy of the housing following completion of the CDBG-assisted work; HUD doesn't provide a requirement for how long units must be occupied by LMI residents to meet the national objective. Grant recipients are urged to establish their own requirements for replacing such households with other LMI households whenever the assisted unit becomes vacant within a period following completion that is commensurate with the amount of CDBG financial assistance that was provided to the housing unit.*

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Grantees should establish a deadline for formal eligibility verification early in their projects. Households must be verified prior to CDBG funds being invested or at the time of occupancy (new construction partnership projects). Grantees must determine who will be responsible for the following activities:

1. Conduct income survey(ies) and compile data.
2. Document and gather household members and sources of income.

Grantees must verify that beneficiaries have an “adjusted gross income” below low-income limits as defined by HUD. HUD defines “Adjusted Gross Income” under 24 CFR Part 570.3 for the purposes of reporting on Form 1040 for Income Tax purposes.

Each CDBG-assisted household income(s) must be verified through one of the following methods:

All sources of "gross household income" and earnings of all adult members anticipated to be received in the 12-month period following the effective date of income certification(s) which will be used to determine whether the applicant is eligible for assistance, must be verified and documented. Copies of these documents must be maintained in the applicant file. Communities must use one or more of the following means of documenting the applicant's recent income.

1. Completing and printing calculations using the HUD Income Calculator described above.
2. Verification of Employment form. A completed "Request for Verification of Employment" form, or another acceptable verification of employment form designed by the community, which includes all the information on the form, is the best means of verifying income. However, the verification of employment form must be mailed by the community to the employer and by the employer back to the community; these forms should not be hand-carried by applicants.
3. Previous Year's Income Tax Return (1040). The Federal Income Tax Form (such as the IRS 1040 Form), signed by the applicant and filed with the IRS, generally is acceptable as a sole source of income documentation if the applicant is applying for assistance funds in the early part of the year. The IRS tax forms are the most accurate source of income verification for applicants with irregular incomes or with updated information for the current year. These forms are required for all self-employed applicant. During the last six months of the calendar year, the Federal tax

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forms should be supplemented with recent income documentation, such as one or more pay stubs or a documented telephone call to the employer. This will help ensure that the applicant's income has not changed significantly since the Federal tax form was prepared.

4. **Salary Pay Stubs.** When the income is solely from salary, salary pay stubs may be used as the sole or primary source of income verification. These salary stubs must be for a recent, continuous one-month period. When the salary pay stub documentation supplements a different verification source, such as the previous year's W-2 form(s), one typical pay stub may suffice to verify the current salary.
5. **Previous Year's W-2 Form(s).** Like the Federal tax form, the previous year's W-2 form(s) for all employment income is generally an acceptable sole source of income verification, but only if the applicant is applying for assistance in the early part of the year.
6. **Pension, Disability, Social Security or Social Services Benefits.** Acceptable methods of verifying such income include any one or more of the following, which are listed in order of preference:
  - Requesting information from the Social Security Administration Office which services the community. To receive prompt service, it is best to send the request to the attention of a particular individual;
  - A current copy of the award letter;
7. A photocopy of a regular benefit check, if the prospective borrower can bring the check to the office for photocopying.

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8. Bank statement which clearly indicates a direct deposit for fixed income benefits (such as Social Security, SSI, etc.).
9. Separation or Divorce Settlement Statement. A separation or divorce settlement statement for alimony or child support payments is necessary. This statement must be supplemented by some evidence of regular payment of alimony or child support payments.

**Verifying Other Income.** The community must either use the previous year's Federal income tax return or the sources listed below to verify the following types of other income:

1. Income and Expenses from Investment Properties -- verifiable with signed leases for income, cancelled checks or copies of receipts marked paid for expenses, audited profit/loss statements or other statements from leasing agents;
2. Interest or Dividends from Stocks, Bonds, or other Financial Institutions -- verifiable with statements from the broker or financial institution;
3. Payments of Principal or Interest on Notes or Mortgages -- verifiable with copies of the legal instrument and some evidence of regular payment;
4. Overtime, Bonuses or Commissions -- verifiable with statements from the employer;
5. Regular Contributions or Payments from Others, including funds contributed by other family members regardless of whether they live in the same dwelling as the prospective applicant -- verifiable

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with cancelled checks written by the payer, bank statements showing deposits in the prospective applicant's account, or a written statement concerning the contribution or payment.

6. Various "Odd Jobs" -- verifiable with an executed notarized legal "affidavit."

NCDEQ and HUD retain the right to verify any households' income and to disallow costs and require repayment of funds if the documentation does not support the low- and moderate-income status.

An agreement must be obtained from the homeowner to install the service line and connection on the owner's private property. The agreement can be obtained as part of the self-certification of income process or can be a separate document.

**All income verifications are valid for only one year (12 months) from time of receipt. Direct benefit must occur during these 12 months or income verifications must occur again**

## DAVID-BACON LABOR STANDARDS REQUIREMENT

If the private lateral service lines and/or connections/hookups are included in a larger water and/or sewer contract, Davis-Bacon labor standards requirements will apply (refer to Chapter 5 for more information). However, if private lateral service lines and connections/hookups are bid separately from a larger water and/or sewer contract, it is considered housing rehabilitation and Davis-Bacon requirements do not apply to individually owned properties unless one ownership contains eight or more units when completed. However, the

project should not be broken up into smaller parcels to avoid compliance with Davis-Bacon Labor Standards.

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## RECORDS TO BE MAINTAIN

To demonstrate compliance, the grantees must maintain the following records:

- ✓ A copy of the written agreement with each landlord or developer receiving CDBG assistance indicating the total number of dwelling units in each multi-unit structure assisted and the number of those units which will be occupied by LMI households after assistance;
- ✓ Total cost of the activity, including both CDBG and non-CDBG funds; and
- ✓ For each unit claimed to be occupied by a LMI income household, the size and combined income of the household.
- ✓ For rental housing only:
  - The rent charged (or to be charged) after assistance for each dwelling unit in each structure assisted and
  - Information as necessary to show the affordability of units occupied (or to be occupied) by LMI households pursuant to criteria established and made public by the grantees.
- ✓ For each property acquired on which there are no structures, evidence of commitments ensuring that the above criteria will be met when the structures are built.
- ✓ Where applicable, information showing that the housing units assisted, although located in different structures, are authorized



to be in a single structure under one of the special situations described previously.

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## APPENDIX 3

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## CHAPTER 4: LABOR STANDARDS & CONSTRUCTION MANAGEMENT

NOTES:

Construction work that is financed in whole or in part with Community Development Block Grant (CDBG) funds must adhere to certain federal labor standards requirements.

This chapter describe the policies and procedures that must be followed when undertaking construction projects with CDBG-Infrastructure funds, which include labor standards, payroll requirements, pre-construction meetings, and inspection and approval procedures to ensure compliance with the labor laws and requirements. Specifically, this chapter describes applicability of Davis-Bacon and Related Acts, the process by which CDBG-I grantees obtain wage decisions for Davis-Bacon covered contracts and grantee reporting requirements. Please note that this chapter is also designed to supplement technical assistance resources already provided by the U.S. Department of Housing and Urban Development (HUD) and Department of Labor (DOL).

### FEDERAL LAWS AND REGULATIONS

Federal laws and regulations relating to labor standards include the following: Davis-Bacon Act and Davis Bacon Related Acts (DBRA).

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### DAVIS-BACON ACT

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Among other provisions, this act requires that prevailing local wage levels be paid to laborers and mechanics employed on certain construction work assisted with CDBG funds. The Davis-Bacon Act (DBA) provides that contracts in excess of \$2,000 funded **in whole or part** with federal funds for the construction, alteration, and/or repair, including painting and decorating, of public buildings or public works, which involve the employment of laborers and/or mechanics, shall contain provisions with respect to minimum wages, fringe benefits, payments without deductions or rebates, withholding funds from contractors to ensure compliance with the wage provisions, and termination of the contract or debarment for failure to adhere to the required provisions. This act requires weekly certified payrolls where the hourly wage paid to employees must be equal to or higher than the U.S. Department of Labor's (DOL) determination of the prevailing wage rates for the project type and jurisdiction in which the work is being done, and usually applied through the "Related Acts."

It is applicable to all contracts for construction, rehabilitation, installation, and repairs more than \$2,000 that involve CDBG funds (in whole or part), except for rehabilitation of a residential structure or residential properties under one ownership that will contain less than eight (8) units when completed.

These provisions do not apply to construction work done by employees of the grantee (force account workers) or professional services (grant administrator, engineer, etc.). Employees of utilities are exempt providing they are only extending service to the property.

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#### DAVIS BACON RELATED ACTS (DBRA)

NOTES:

Section 110 of Title I of the Housing and Community Development Act of 1974, as amended, includes other applicable laws covering Davis-Bacon and Related Acts, the Contract Work Hours and Safety Standards Act, and the Copeland Act. Thus, all CDBG recipients must meet requirements of labor standards statutes and implementing regulations (24 CFR 570.496). Most of the Related Acts are listed in 29 CFR § 5.1(a). These laws include by reference the requirements for payment of prevailing wages determined in accordance with the DBA. The following Davis Bacon Related Acts (DBRA) statutes are frequently used to fund/assist construction:

- 1) Contract Work Hours and Safety Standards Act (40 U.S.C. 327 – 333, 1962). Under this act (CWHSSA), among other provisions, laborers and mechanics employed by contractors and subcontractors on construction work assisted with CDBG funds must receive overtime compensation at a rate not less than one and one-half the basic rate of pay for all hours worked more than forty (40) hours in any workweek, plus the straight- time of any fringe benefits, on a Davis-Bacon (DB) covered project. Violators shall be liable for the unpaid wages and in addition for liquidated damages computed in respect to each laborer or mechanic employed in violation of the act.
- 2) Fair Labor Standards Act (29 U.S.C. 201 et seq.), requiring among other things that covered employees be paid at least the minimum prescribed wage, and that they be paid one and one-half times their basic wage rate for all hours worked more than the prescribed workweek.

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- 3) Federal Anti-Kickback laws (18 U.S.C. 874 and 40 U.S.C. 276, 1934), “Copeland Anti-Kickback” Act, which, among other things, outlaws and prescribes criminal penalties for "kickbacks" of wages in federally financed or assisted construction activities. The basic requirements of the Copeland “Anti-Kickback” Act are as follows:
- a. Payment to employees must be made at least once a week and without subsequent deductions or rebate on any account, except for “permissible” salary deductions.
  - b. Grantees must obtain and review payroll forms, including the “Statement of Compliance” from contractors and subcontractors, on a weekly basis.
  - c. Grantees must retain these documents for five years after work completion; each employer must maintain records supporting the payrolls for three years after work completion.

## GRANTEES RESPONSIBILITIES

Each grantee has multiple responsibilities to ensure compliance with this chapter. The first responsibility is the selection of a local “Labor Standards Compliance Officer” (LSCO). This person has overall responsibility for labor compliance and for maintaining the project’s labor files. The duties of a LSCO include:

- 1) Ensure all bid documents, contracts and subcontracts include current (correct) standard wage decisions and contract provisions and clauses.

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- 2) Pull most current Wage Decision (WD) from Wage Determination online website at [www.sam.gov](http://www.sam.gov). **Our projects use the Heavy Classification** unless a project meets the threshold for two wage decisions.
- 3) Recheck WD 10 days prior to bid opening and ensure project engineer notifies all potential bidders if the Wage Decision has changed through an addendum.  
Ensure contractor and subcontractor(s) are eligible (debarment check) to work on a federally funded project.
- 4) If it takes longer than 90 days to award construction contract and the WD changes, LSCO must notify project engineer to incorporate new WD into the contract.
- 5) Complete any request(s) for additional classifications (Conformance with DBRA) to the wage determination for the project (can only be done once a construction contract is awarded).
- 6) Convey and answer questions on federal requirements and contractors' responsibilities during the pre-bid and pre-construction meetings with potential bidders.
- 7) Submit the Start of Construction Card package to the Division prior to construction starting. . All information needed to complete this form should be available following the pre-construction meeting. Additional information on this [reporting requirement can be found on Division website](#).

NOTES:

- 8) Submit all pre-bid and pre-construction meeting minutes (with handouts) and sign-in sheets.
- 9) Document advertisements for bids, hold the bid opening meeting, conduct a verification of each contractor, and make efforts to solicit small, veteran, HUB and M/WBE and Section 3 Business Concern participation.
- 10) Visit the construction site to confirm the following are posted in a weather-proof, conspicuous location at site of work (take a picture of job site board):
  - a. Project Wage Decision(s) and any approved additional classification(s) – all pages not overlapped.
  - b. HUD Form 4010 – Federal Labor Standards Provisions – all pages not overlapped.
  - c. “Employee Rights under Davis-Bacon Act” (Red & Blue Text Poster with contact info) either 8.5x11 or 11x17 size.
  - d. Section 3 (English and Spanish) Posters 8.5x11 size.
  - e. The required Federal and NC workplace posters in English and Spanish (such as e-verify, workers’ compensation, federal minimum wage, NC DOL “Wage and Hour Notice to Employees,” “OSH Notice to Employees,” “Equal Employment Opportunity is the Law,” “If You Have the Right to Work”).



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Posters can be found at the [North Carolina Department of Labor Website](#):

- 11) Collect and examine weekly payrolls (the standard Federal payroll form WH-347 or equivalent must be used) as they are submitted so any necessary corrective action can be initiated immediately.
- a. Items to be reviewed include classification of workers, comparison between the classification and wage to verify the rate is at least equal to that required by the wage rate determination; overtime pay, if applicable; deductions; apprentice/trainee information and statement of compliance signature by owner or officer of contractor.
    - i. If compliance signature is from a representative other than the owner, an authorization for alternative signature must be provided.
    - ii. Allowable fringe benefits include life insurance, health insurance, pension, vacation, holiday and sick leave.
    - iii. Unallowable fringe benefits include uniforms, phone, company vehicle, meals/lodging.
    - iv. Laborers and mechanics on federal projects are “fetch, clean, & carry.” Helper is not an eligible classification on CDBG-I projects. If the work uses the tools of the trade, then the correct classification must be used.

NOTES:

- (1) Davis Bacon Final Rule provisions stipulate that traffic flaggers, onsite truck drivers, and survey crew members, are subject to Davis Bacon prevailing wages.
- v. Working foremen or supervisors that regularly spend more than 20% of their time performing construction work and do not meet the exclusions below are covered “laborers” and “mechanics” for labor standards purposes for the time spent performing construction work.
  - People whose duties are primarily administrative, executive, or clerical are not laborers or mechanics. Examples include superintendents, office staff, timekeepers, messengers, etc.
- vi. Apprentices or trainees need to be actively enrolled in the State’s program (U.S. DOL approved program) and certification of that enrollment included with payroll.
- vii. HUD looks closely at the ratio of laborers to tradesmen and concerns can be raised if the ratio is above 1:1 (but that ratio also depends on the type of work occurring).

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- b. The contractor's statement on the certification page that fringe benefits were paid into approved plans, funds, or programs must be accompanied by a breakdown of bona fide fringes expressed as an hourly equivalent amount for each employee or job classification.
  - c. As a standard practice, grantees should not submit Request for Funds for construction budget line item monies until payrolls matching the timeframe included in the contractor's pay invoices have been received and approved in accordance with regulations and procedures.
  - d. Certified payrolls need to be sequentially numbered payrolls (first labeled "#1" and last labeled "final"). If there are weeks of no work, payrolls need to indicate "no work" on the numbered payrolls. Page 2 of these "no work" payrolls still need to be certified.
  - e. Certified Payrolls must be signed by either a wet ink signature or a verified electronic signature.
  - f. Review and track the workers on each payroll with the submitted "crew list" from contractor and subcontractor(s) to ensure compliance with Section 3.
- 12) Conduct employee interviews.
- a. The number of interviews must be sufficient to establish compliance and must represent all classifications of employees. Thus, interviews should be conducted at least

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every three weeks for the prime contractor and whenever subcontractors are at work on the job site.

- b. The contractor and subcontractor are not allowed to select who is interviewed.
  - c. Interview a cross-section of trades and different employees over the timespan of the work being performed.
  - d. If there is an apprentice on the payroll and site of work, there must be a tradesman on site as well, otherwise the apprentice is paid as a tradesman.
  - e. Refrain from repeat interviews of the same employee unless their classification is changed. Required for all components of the project (CDBG funded + all other trades).
- 13) Complete and submit the required CDBG Semi-Annual Labor Standards Enforcement Reports (HUD 4710) for the duration of the grant.
- 14) Maintain the labor standards file.

## OBTAINING WAGE RATE DETERMINATIONS

Grantees will obtain wage rate determinations by going to the Wage Determinations Online website ([sam.gov](http://sam.gov)) and pulling down the necessary wage decision for the grantee's county and construction type.

**Our projects use the Heavy Classification** unless a project meets the threshold for two wage decisions.

General wage rate determinations published by the U.S. Department of Labor (DOL) Employment Standards Administration, Wage and Hour Division, are effective until superseded or modified in a subsequent published wage rate determination. They are typically updated in January of each year.

**Wage decisions must be pulled 30 days in advance of the bid advertisement date.** If grantees have a question regarding construction type, please contact the CDBG-I Compliance Specialist.

**Wage decisions must be rechecked 10 days before the bid opening date** to verify the wage rate is still current. Changes to wage rate determinations published less than 10 days before bid opening do not apply if grantee's files include a statement of justification or other documentation establishing that there was not reasonable time available to notify all the contractors planning to submit bids.

The day of bid opening is the lock-in date for the wage decision, provided the contract is awarded within 90 days. If a contract is not awarded within 90 days of the bid opening, the lock-in date is based on the date the contract is awarded. The wage decision must be rechecked to ensure it is still current. If the wage decision has been modified, the new wages must be incorporated into the contract.

Wage rate determinations must be included in all bid solicitations and construction contracts. Contractors must post the wage rate determination in a prominent work site location that is accessible to all workers employed on the project.

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If multiple wage determinations are incorporated into the bid specifications or contract it is VERY IMPORTANT to provide instructions specifying the contract work to which each wage determination applies.

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*The application of wage determinations for more than one type of construction is appropriate if such items that fall in a separate type of construction will comprise at least 20% of the total project cost and/or cost at least \$1 million. If both conditions are not met, the work is considered incidental.*

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If this is not done, the contractor must pay the highest of the two included.

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#### UPDATES TO WAGE DECISIONS AFTER CONTRACT AWARD

If a contract or order is substantially changed or extended for an additional time, the most recent wage determinations must be used. The new lock-in date would be the date the contract is changed.

This includes if the contract is changed to add additional, substantial construction, alteration and/or repair work not included in the scope of the original contract or requires the contractor to perform work for an additional time not originally obligated, including extending the term of the contract.

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#### ADDITIONAL CLASSIFICATIONS

Davis Bacon Act (DBA) wage determinations/decisions (WDs) do not contain every job classification needed for all DBA work performed on every contract. When this occurs DBA provisions contain a conformance procedure for the purpose of establishing a DBA-enforceable wage and

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benefit rate for missing job classifications. CFR 29 Part 5.5(a)(ii) sets the criteria that must be met to obtain a rate for an unlisted classification.

Department of Labor (DOL) Conformance Principles.

If a classification of work is not listed on the wage decision that is applicable to your project, you must request an additional classification to be evaluated by the Department of Labor (DOL). Your request must be sent through the Division, who will submit the request on behalf of the contractor/subcontractor and the grantee. DOL will make the final determination.

- Contractors and subcontractors are responsible for determining the appropriate job classifications necessary to perform the contract work. If a classification considered necessary for performance of the work is missing from the WD, the contractor must initiate a request for approval for a proposed wage and benefit rate.
- The requested classification is not already listed on the applicable wage decision;
- The classification is utilized in the area by the construction industry; and
- The proposed wage rate, including any bona fide fringe benefits, bears a reasonable relationship to the wage rates contained in the wage determination.

**Additional classifications can only be processed once the prime contract has been awarded.**

**How to Calculate an Additional Classification Rate.**

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“The proposed wage rate, including any bona fide fringes benefits, bears a reasonable relationship to the wage rates contained in the wage determination to consider the entirety of the rates within the relevant category on the wage determination and to not generally use as a benchmark the lowest rate within that category.”

There are four general categories on Wage Determinations/Decision:

- Skilled crafts;
- Laborers;
- Power equipment operators, and
- Truck drivers.

To determine a “reasonable relationship,” the requested additional classification is compared to the classifications on the applicable wage decision within the same category.

The classification must be appropriate for the contract work and must be a classification that is utilized in that locality by the construction industry.

The contractor cannot propose a new classification by combining job duties from two or more existing classifications on the wage determination or propose a new classification that performs only part of the duties of an existing classification.

The proposed classification cannot be a "trainee". Generally, a proposed classification of "helper" will not be approved. Under DBA provisions, a "helper" will not be approved by DOL unless the contractor establishes that the criteria in the regulations at 29 C.F.R. Part 5 are met.

Conformance requests should not be submitted for exempt classifications (project managers, full-time supervisors, professionals



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such as engineers), nor for classifications other than "laborers or mechanics" employed on the site of work, as covered by DBA.

If the contractor has further questions about a conformance process, he/she may contact the CDBG-I compliance specialist or the nearest Regional Office of the U. S. Department of Labor, Wage and Hour Division

Steps for Submission of Request:

1. Submit conformance request via the Division's online submission portal. It will be reviewed by the CDBG-I Unit Compliance Specialist.

Request must include the following:

- a) Completed Standard Form 1444 (SF1444) – This form replaces the previous HUD form 4370A and enhances the conformance request process by providing DOL information that was not on the HUD form, allowing them to more efficiently process these requests.
  - The new Block 16 is optional. It provides opportunity for employees or their designated representative (generally a union) to sign the document and indicate whether they agree with the proposed classification and wage rate. If the employee(s) filling the job classification are unknown write unknown in the box.
  - Reminder – Signature at the bottom for the Contracting Officer or Representative is the labor standards coordinator for the project (Same person that reviews certified payroll and submits semiannual labor reports).
- b) Wage Determination/Decisions applicable to the project.

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- c) Signed request letter(s) from the Contractor /subcontractor stating the classification needed, tools of the trade they will use, proposed hourly wage rate, and proposed fringe benefits (if applicable). The contractor must attach a brief job description to each classification request submitted for those that are not generally known and utilized in the construction industry in the locality. The contractor should include all pertinent documentation that supports his/her request for approval of an additional classification.
    - If the additional classification is for a Subcontractor, a request letter from both the Contractor and Subcontractor is required.
  - d) Signed letter from Grantee to DOL regarding the request for additional classification(s).
2. The CDBG-I Unit Compliance Specialist will review the package and request any corrections via email. Once the package is correct, they will submit the packaged request on behalf of Grantee to DOL and will cc the grant administrator and grantee representative.
  3. The CDBG-I Unit Compliance Specialist will notify the grantee via email once the response from the Department of Labor (DOL) is received.
  4. The contractor/subcontractor must pay the proposed wage and benefit rate pending response from DOL. Typical response time is 30 days from CDBG-I Submission to the DOL.
  5. When DOL responds, the Grantee and/or Grant Administrator provides a copy of the response to the contractor/subcontractor with

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instructions to provide each employee with a copy or to post it in the work area (with the applicable WD). The prime contractor must provide a copy of the determination to subcontractor(s), if any, that may employ workers in the conformed classification under the contract.

6. If DOL denies the request or responds with an approved rate that is higher than the rate proposed by the contractor, the contractor must pay the applicable rate retroactive to the start of performance of that job classification. The local Labor Standards officer (typically Grant Administrator) should request written confirmation from the contractor that back wages have been paid in full. Back wages are required to be paid with daily compounded interest at the Internal Revenue Code's established rate.
7. If the Grantee has not received an answer from DOL after 30 days, please contact the CDBG-I Compliance Specialist.
8. Appeals of the approval or disapproval of a conformance request should initially be made with the Branch of Construction Wage Determinations in the National Office of WHD. If the requestor wishes to appeal to the Branch decision, then a request for review and reconsideration may be made to the Wage and Hour Administrator (See CFR 29 Part 5.13 and Part 7). The Administrator's decision may be appealed to the ARB. All decisions by the ARB in such cases are final.

**Allow up to six weeks for this process.** [Additional classification information](#) is available on our Division website.

## DESIGN AND BID PACKAGE

## NOTES:

Prior to procuring sealed bids for construction services, a complete design and bid package must be submitted to the Division for review and approval. Templates and forms are available on the Division website for [Design and Bid](#).

The design and bid package submission includes:

- ✓ “Submittal Checklist” form;
- ✓ Updated Project Cost Estimates
- ✓ “G.S. 133-3 Engineer Certification”;
- ✓ Copies of all applicable permits or evidence that permit applications have been submitted for the remaining required permits to the respective permitting agency.
  - Projects that do not have this included will be determined incomplete and set aside until said information is provided.
  - The Division cannot approve plans and specifications until a project has received all required permits.
  - The Division approval does not supersede any regular permitting requirements.
- ✓ Davis-Bacon Wage Determination, applicable to the project;
- ✓ Labor Standards Provisions;
- ✓ Construction Contract Provision: Economic Opportunities for Section 3 Residents and Section 3 Business Concerns;
- ✓ Contractor / Subcontractor Section 3 Affirmative Action Plan;
- ✓ “Self-Certification as a Section 3 Business” form;
- ✓ “Self-Certification as a Section 3 Worker” form;
- ✓ “Self-Certification as Targeted Section 3 Worker” form;
- ✓ “Section 3 Employer Certification” form;

NOTES:

- ✓ “Contractor / Subcontractor Workforce” form;
- ✓ “Contractor / Subcontractor Section 3 Reporting” form;
- ✓ Certification of Bidder Regarding Civil Rights and Section 3 Laws and Regulations;
- ✓ Adherence to BABA requirements (see BABA Guidance), if applicable;
- ✓ Contract Provisions;
- ✓ “Disclosure of Lobbying Activities” form;
- ✓ “Certification of Eligibility” form;
- ✓ “Small and Disadvantaged Business Utilization Compliance Instruction and Forms” (formally MBE/WBE Compliance and Instructions” forms); and
- ✓ “Employment and Contracting Opportunities Commitment” form.
- ✓ “Statement encouraging Historically Underutilized Businesses (HUB)” form; and
- ✓ “Statement encouraging Minority/Women Owned Businesses” form.

CDBG-I Unit Staff will review the complete submission against the approved application, EID, and ER consistently. If there are discrepancies, the grantees and their project engineer will be notified.

The final advertisement for bids must be shared with the CDBG-I Unit Staff prior to publication and distribution. A sample bid advertisement can be found on the [Design and Bid](#) page of our Division website.

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*DO NOT bid the project until the Division has issued bid document approval OR has approved the bid documents in writing.*

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## BUY AMERICA, BUILD AMERICA (BABA)

Title IX of the Infrastructure Investment and Jobs Act, Build America, Buy America (BABA), requires any infrastructure project funded with any “Federal Financial Assistance” (FFA) apply a domestic content procurement preference, meaning that all iron, steel, manufactured products, and construction materials used in the infrastructure project have been produced in the United States, unless the awarding agency (HUD) has issued a waiver of this requirement. This is called the “Buy American Preference” (BAP) and the specific requirements are codified in 2 C.F.R. Part 184.

All CDBG-I grant subrecipients (grantees) fall under compliance with BABA since CDBG is a federal grant that will fund utilities, water systems (drinking water and wastewater). Pursuant to BABA, Grant Subrecipients (Grantees) that are awarded funding for infrastructure projects beginning in Program Year 2023 must ensure that the required construction items used in the project are produced in the United States. HUD’s phased implementation will apply BABA documentation requirements to additional items each year – new grant awards must comply with BABA requirements applicable to the period in which they are awarded. After program year 2025, all projects will be required to document all BAP materials. See CDBG-I BABA Guidance for more information on phasing of BABA implementation.

### **Manufacturing Extension Partnership (MEP)**

To aid Grantee’s in sourcing construction materials that comply with the BAP, the MEP National Network’s (MEPNN) supplier scouting service, is helping to identify U.S. manufacturers with specific production and technical capabilities and connect them with domestic purchasers.

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Grantees can complete a Supplier Scouting Opportunity Synopsis Form, identifying what type and quantity of materials are being sought to match projects with suppliers. The North Carolina MEP Center receives these requests, conducts the searches, and generates scouting reports for the submitters. The turnaround time for the Supplier Scouting process is between 30-45 days.

**Grantee BABA Responsibilities**

- Communicate BABA requirements to potential bidders, contractors,
- Document BABA compliance for project,
- Ensure BABA Clause in all construction contracts (prime and subcontractors);
- Ensure gathering and maintaining BABA documentation.

Submit waiver, if applicable, to the State. **Contractor and**

**Subcontractor BABA Responsibilities**

- Ensure compliance with the BAP requirements
- Sign Certification Statement for CDBG-I Projects
- Coordinate BABA compliance needs with suppliers/distributors,
- Procure BABA compliant products, obtaining necessary BABA certifications from manufactures
- Maintain records that verify compliance with BAP.
- Provide BABA compliance documentation with pay requests

**PRE-BID MEETING**

During the procurement of sealed bids for construction services, a pre-bid meeting must be held with potential contractors and subcontractors

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to discuss the project, federal requirements, and expectations from the successful bidder. The grantees, grant administrator, and project engineer must play an active role in ensuring that potential contractors understand the CDBG requirements of the project they will be bidding on.

1. Grantees must notify their Grant Representative when scheduling this meeting so CDBG-I Unit staff can attend.
2. Grantees must keep an attendance roster and minutes of the pre-bid meeting.
3. There is a guide (“Pre-bid and -Construction Meeting Information”) of what needs to be covered during this pre-bid meeting on our [Division website](#).

## CONSTRUCTION BIDS

Once all bids have been received, the project engineer and grantees should conduct due diligence to each bidder to ensure responsibility and responsiveness.

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## CONTRACTOR ELIGIBILITY

Prior to awarding the contract, the grantees must verify the eligibility status of all contractors and subcontractors to ensure they are not listed on the North Carolina Debarred Contractors list or have exclusions in federal database: Sam.gov. This requirement also applies to all engineers, grant administrators, and related service contracts. This verification must be done before contracts are awarded. In addition, all potential contractors must have an active registration with Sam.gov and have a UID number, as mentioned in Chapter 1.



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## AWARD THE CONTRACT

The contract must be awarded to the **lowest, most responsible, and responsive bidder**. Unlike the other Division funding programs, the CDBG-I Unit does not approve the award of contract. However, if the contract is awarded to a contractor that was not the lowest bidder, a written statement documenting valid reasons why the lowest bidder(s) was not selected must be prepared and submitted to NCDEQ for approval prior to contract award. In addition, per our *Procurement Policy*, the CDBG-I Unit must approve the use of a sole source procurement. Ensure that all compliance provisions and environmental clearances have been met before awarding the contract.

### Additional Bid Documents

Grantees must submit the following copies to the Division:

1. Bid Notice(s).
2. Certificated Bid Tabulations sheet.
3. Low bid negotiations documents, if applicable.
4. BABA Certification Statement for CDBG-I Projects
5. Notice of Award.
6. Executed contractor agreement.
7. Notice to Proceed.

Additional information on procurement of construction bids can be found in Chapter 5 and change order information can be found below.

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## PRE-CONSTRUCTION MEETING

Immediately following contract award, the project engineer will hold a pre-construction conference with the prime contractor and any subcontractors. The grantees, grant administrator, and project engineer must play an active role in ensuring that the contractor and subcontractors understand and comply with CDBG requirements.

The purpose of the pre-construction conference is to apprise the contractor and subcontractors of labor standards, equal opportunity, Section 3 and other contract obligations and responsibilities.

A pre-construction conference also serves as an opportunity for all parties to discuss how the project is expected to progress, the schedule for completion, who has review authority for contracts, and method and schedule of

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*Coordinate the Pre-Construction Meeting with Grant Representative to ensure representation of Division staff members.*

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payments, change orders, etc. It also allows an opportunity to obtain any outstanding contract documents and provide the contractor with posters for the construction site.

1. Grantees must notify their Grant Representative when scheduling this meeting so CDBG-I Unit staff can attend.
2. Grantees must keep an attendance roster and minutes of the pre-construction meeting.
3. There is a guide (“Pre-bid and -Construction Meeting Information”) of what needs to be covered during this pre-construction meeting on our [Division website](#).

## NOTICE TO PROCEED AND START OF CONSTRUCTION CARD

Following execution of contract documents and completion of the pre-construction conference, the recipient should issue a "Notice to Proceed" to each prime contractor that establishes the contract execution date, construction start date and scheduled completion date.

Grantees must fill out the "[Start of Construction Card](#)" and submit it with the following documents to our online document submission portal:

1. Pre-bid meeting minutes and sign-in sheet
2. Certification of Eligibility Form and support documentation (for known contractors and subs)
3. HUD 2516 Form – Contract and Subcontract Activity (for known contractors and subs)
4. The Wage decision(s) used in bid documents and contract(s)
5. Pre-construction meetings minutes to the CDBG-I Compliance Specialist.

## INSPECTIONS AND CHANGE ORDERS

The CDBG-I Program Engineer will make periodic inspections of funded projects to review construction aspects and conformance with federal conditions. Results of inspections will be discussed at the job site upon completion and written inspection reports will be prepared if problems are found.

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## CHANGE ORDERS

Change orders due to changes in costs, completion date, design alteration, or other changes from original contract terms and conditions. Change orders will be reviewed by CDBG-I Unit Engineer for eligibility of CDBG funds paying for the change. Eligibility will be limited to those items necessary to complete the scope of work in the executed contract. Additionally change orders should be limited to items unseen at the time of work write-up and that appeared necessary during the construction phase. Change order items readily seen during the initial assessment/work write-up maybe considered a disallowed cost. Additional information about this is included in the CDBG-I Program Procurement Policy.

The project engineer must submit one copy of executed change order(s) and supporting documentation to the CDBG-I Unit Engineer for eligibility determination. A copy of the change order form and checklist can be found on our Division [website](#).

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## FINAL INSPECTION & CERTIFICATION OF COMPLETION

Upon completion and acceptance of the work, the project engineer shall issue a certificate attached to the final payment request that the work has been accepted under the conditions of the contract documents. The entire balance found to be due to the contractors, including the retained percentages, but except such sums as may be lawfully retained by the grantees, shall be paid to the contractor within thirty (30) days of completion and acceptance of the work. The project engineer's certificate of acceptance will be on the appropriate [Division forms](#).

## CONTRACTORS RESPONSIBILITIES – LABOR STANDARDS

All contractors on a CDBG-funded project have responsibilities to comply. Below are these responsibilities.

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### PRIME CONTRACTOR(S)

Prime contractors are responsible for compliance of all contractors, including labor provisions and wage decisions in all contracts, providing subcontractors with forms and guidance, ensuring access to employees on-site for interviews, and certifying weekly payrolls for employees. Prime contractors are also liable for any back wages owed by lower-tier subcontractors, regardless of intent.

Because the prime contractor is responsible for the actions and compliance of the subcontractors, it is important to educate the subcontractors on the requirements, including reporting requirements and granting access to employees for interview purposes.

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### SUB-CONTRACTOR(S)

Subcontractors are responsible for preparing and submitting certified weekly payrolls, ensuring compliance by sub-tier contracts, including labor provisions and wage decisions in contracts, and access to employees on site for interviews. All laborers and mechanics are covered regardless of any contractual relationship alleged to exist. Thus, subcontractors that work alone and have no crew must be paid weekly, but they may not certify payment of their own wages (may not sign own payrolls). The exception is owners of a business working with their crew.

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Upper-tier subcontractors may be liable for back wages of lower-tier subcontractors if they had some degree of intent, such as recklessness or knowledge.

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### CONTRACTORS RESPONSIBILITIES – SECTION 3

Prime contractors must have a completed Section 3 Affirmative Action Plan and ensure all subcontractors have a completed Section 3 Affirmative Action Plan, and those sub-agreements have the *Construction Contract Provision: Economic Opportunities for Section 3 Residents and Section 3 Business Concerns*, and other required provisions and clauses. Prime contractors must provide the necessary reports and certifications forms to the grantees as discussed in Chapter 5.

All subcontracts (no matter the price of the work) must have a completed Section 3 Affirmative Action Plan and must provide the necessary reports and certification forms to the grantees as discussed in Chapter 5.

#### Reporting for Minimum Numerical Goals – Section 3

Contractors or subcontractors on a project more than **\$200,000** (in HUD CDBG funding) for Section 3 covered projects are **required to comply** with Section 3. Accordingly, the recipient must attempt to reach the **Section 3 minimum numerical goals** found at 24 CFR Part 75, Subpart C and [Docket No. FR-6085-N-04](#):

Twenty-five (25) percent or more of the total number of labor hours worked by all workers on a Section 3 project are Section 3 workers;

Section 3 Worker Labor Hours = 25% Total Labor Hours

**And**

NOTES:

Five (5) percent or more of the total number of labor hours worked by all workers on a Section 3 project are Targeted Section 3 workers, as defined at § 75.21.

Targeted Section 3 Labor Hours = 5% Total Labor Hours

**Recipients that fail to meet the minimum numerical goals above bear the burden of demonstrating why it was not possible to do so.** Such justifications should describe the efforts that were taken, barriers encountered, and other relevant information that will enable the Division to make a compliance determination.

**Section 3 Worker.** A Section 3 worker is any worker who currently fits, or when hired within the past five years fit, at least one of the following categories, as documented:

1. The worker's income for the previous or annualized calendar year is below the income limit established by HUD. The income limit used is based on their place of residence, not the project location;
2. The worker is employed by a Section 3 business concern; or
3. The worker is a YouthBuild participant.

**Targeted Section 3 Worker.** A Section 3 targeted worker for Housing and Community Development Financial Assistance projects is a Section 3 worker who:

1. Currently fits or when hired fit at least one of the following categories, as documented within the past five years:

- a. Living within the service area or the neighborhood of the project, as defined in 24 CFR § 75.5; or
- b. Is a resident of public housing or Section-8 assisted housing; or
- c. A YouthBuild participant.

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**Section 3 Business Concern.** A Section 3 business concern is a business that meets at least one of the following criteria, documented within the last six-month period:

1. At least 51 percent owned and controlled by low- or very low-income persons. The income used is for the previous or annualized calendar year and the income limit used is based on their place of residence.
2. Over 75 percent of the labor hours performed for the business over the prior three-month period are performed by Section 3 workers; or
3. A business at least 51 percent owned and controlled by current public housing residents or residents who currently live in Section 8-assisted housing.



## CHAPTER 4 APPENDIX

NOTES:

Chapter 4 Appendix contains the following:

- ✓ How are low-income and very-low income determined for Section 3?
- ✓ What is a YouthBuild?
- ✓ Reference Documents

### HOW ARE LOW-INCOME AND VERY LOW-INCOME DETERMINED?

Low- and very low-income limits are defined in Section 3(b)(2) of the Housing Act of 1937 and are determined annually by HUD. These limits are typically established at 80 percent and 50 percent of the area median individual income. [HUD income limits may be obtained from HUD.](#)

### WHAT IS YOUTHBUILD?

YouthBuild is a community-based pre-apprenticeship program that provides job training and educational opportunities for at-risk youth ages 16-24 who have previously dropped out of high school.

YouthBuild participants learn vocational skills in construction, as well as in other in-demand industries that include health care, information

technology, and hospitality. Youth also provide community service through the required construction or rehabilitation of affordable housing for low-income or homeless families in their own neighborhoods.

The Division of Youth Services within the Employment and Training Administration's Office of Workforce Investment at the U.S. Department of Labor administers the YouthBuild program. Each year, more than 6,000 youth participate in approximately 210 YouthBuild programs in more than 40 states. [More information can be found here at DOL.](#)

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## REFERENCE DOCUMENTS

NOTES:

- ✓ [Federal Labor Standard Requirements in Housing and Urban Development Programs: HUD Handbook 1344.1 Rev. 2](#)
- ✓ [Davis Bacon and Labor Standards Agency Contractor Guide and Contractor Addendum](#)
- ✓ [Division Section 3 Forms & Resources – CDBG-I Compliance and Reporting Information](#)
- ✓ [HUD Section 3 Publications and Regulations](#)

## CHAPTER 5: PROCUREMENT & CONTRACT MANAGEMENT

NOTES:

### OVERVIEW

Local jurisdictions often have their own procurement and contracting requirements; however, CDBG-I grantees must comply with the procurement standards established in the *CDBG-I Program Procurement Policy*. This policy takes the most stringent of the North Carolina, Federal and HUD procurement requirements, and applies them to our grantee's procurement.

This chapter describes the policy and procedures that must be followed when entering into contractual agreements with other entities when CDBG-I funds are being used. Such entities may include grantees, other governmental

agencies, professional services firms, construction contractors, providers of goods and services, and others.

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*When the Federal and State regulations are different, the more restrictive regulations shall apply to the procurement in question.*

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### GENERAL POLICIES

The primary goal of the rules and regulations governing procurement is to **ensure open and free competition** for federally assisted projects. The various procurement methods outlined briefly in this chapter all attempt to promote open and free competition for contracts. Open and free competition by nature mandates the contracting opportunity is equal opportunity. The goal of the CDBG program is to ensure that small,

minority-, women-, and veteran owned businesses have an equal opportunity to participate in contract opportunities provided by the program.

Requirements related to small, Historically Underutilized Businesses (HUB), Section 3 and Minority-, Women-Owned Business Enterprise (MBE/WBE), and Veteran Owned Businesses participation are in place to ensure this opportunity.

Grantees are responsible for ensuring CDBG funds are used in accordance with all program requirements. The use of designated public agencies, grantees, or contractors does not relieve the recipient of this responsibility. The

recipient is also responsible for determining the adequacy of performance under grantees agreements and procurement contracts and for taking appropriate action when performance problems arise.

No bidding for construction or demolition activities may occur until the appropriate environmental clearance and approval has been provided by the Division.

**Generally, acquisition of all property required for the project must be complete in accordance with URA (see Chapter 7) prior to taking bids for construction (or demolition).** The title should be recorded, the action must be filed with the court prior to taking bids. In

#### Competition:

- ✓ *Must allow for full, fair and open competition.*
- ✓ *No geographical preference (unless specifically allowed – Section 3 and if there is a reasonable number of potential vendors for in area)*
- ✓ *No placing of unreasonable requirements on bidders (no unnecessary experience or excessive bonding, No “brand only” specifications)*
- ✓ *Must have written selection procedures.*
- ✓ *Must clearly identify all bidding requirements.*
- ✓ *Prequalified lists of persons, firms, or products must be current.*

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limited instances, it may be appropriate to take bids but not execute a construction contract until property acquisition is complete.

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## OPEN & FAIR COMPETITION

All procurement transactions entered into by the recipient, regardless of whether negotiated or advertised and without regard to dollar value, shall be conducted in a manner to provide maximum open and free competition. The recipient must be alert to organizational conflicts of interest or non-competitive practices, which may restrict or eliminate competition or otherwise restrain trade.

Examples of what is restrictive of competition include, but are not limited to:

- ✓ Placing unreasonable requirements on firms for them to qualify to do business.
- ✓ Non-competitive practices between firms or between affiliated companies.
- ✓ Non-competitive awards to consultants that are on retainer contracts.
- ✓ Organizational conflicts of interest.
- ✓ Specifying only a brand name product instead of allowing an equal product to be offered without prior written approval (may result in rebidding).
- ✓ Unnecessary experience and excessive bonding requirements.

- ✓ Any arbitrary action in the procurement process.

NOTES:

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*The CDBG-I grant agreement/contract requires the community to adhere with the CDBG conflict of interest policy all at stages of project implementation – especially contract procurement.*

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## SECTION 3

As stated in Chapter 2, grantees must adhere to Section 3 of the Housing and Urban Development Act of 1968 and its implementing regulations at Title 24 CFR Part 75. This means, each grantee must take, at a minimum, the following steps:

1. Inform sub-recipients and contractors about Section 3 obligations;
2. Evaluate potential bidders for Section 3 compliance during contract selection;
3. Notify Section 3 residents and businesses about economic opportunities;
4. Implement verification and/or certification procedures for residents and businesses;
5. Monitor sub-recipients and contractors for compliance;
6. Establish consequences for noncompliance; and
7. Utilize local community resources to meet its Section 3 requirements.
8. Report qualitative efforts and Section 3 employment data to CDBG-I during the Annual Performance Report

## AFFIRMATIVE ACTION IN SOLICITING MINORITY / WOMEN BUSINESS ENTERPRISES AND VETERAN OWNED BUSINESS

Executive Orders 11625, 12432, 12138, <sup>13360</sup> generally require recipients to make every effort to solicit the participation of minority, and women business enterprises (M/WBE) and veteran owned businesses in their projects. Recipients must specify the outreach actions they will take to ensure the inclusion, to the maximum extent possible, of minorities and women and entities owned by minorities and women, in all contracts.

### **Minority / Women Business Enterprises (MBE / WBE)**

A minority business enterprise (MBE) means a business enterprise that is at least 51% owned and controlled by one or more minorities or socially and economically disadvantaged persons. Such disadvantage may arise from cultural, racial, chronic economic circumstances or other similar causes.

A women business enterprise (WBE) is an independent business concern that is at least 51% owned and controlled by one or more women who are U.S. citizens or Legal Resident Aliens; whose business formation and principal place of business are in the U.S. or its territories; and whose management and daily operation are controlled by a woman with industry expertise.

### **Veteran Owned Business (VOB)**

A veteran owned small business means a business that is at least 51% owned and controlled by one or more veterans.

When a CDBG-I project is monitored, CDBG-I Unit Staff will review the efforts grantees took to solicit M/WBE participation and the results. Grantees will also be asked to report on grant achievements in this area after their grant project is completed.



**Affirmative steps must include, but is not limited to, the following:**

1. Placing qualified small, minority, and female owned businesses on solicitation lists.
2. Placing procurement notices on relevant state vendor websites (i.e., HUB, IPS, etc.).
3. Assuring that small, minority and female owned businesses are solicited whenever they are potential sources.
4. Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority business, and women's business enterprises.
5. Establishing delivery schedules, where the requirement permits, which encourages participation by small and minority businesses, and women's business enterprises.
6. 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
7. Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed above.

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## PROCUREMENT STANDARDS POLICY & PLAN

Each grantee must adopt and follow CDBG-I's specific procurement plan and provide an adopted copy to the Division. A template is provided on the

Division website under [CDBG-I Compliance and Reporting Information](#).

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*No procurement contracts can be executed prior to the execution of the DEQ / Grant Recipient Agreement / Contract.*

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## STANDARDS OF CONDUCT / CONFLICT OF INTEREST POLICY

Grantees (and its contractors) must adhere to conflict-of-interest provisions, including but not limited to those found at N.C. Gen. Stat. § 14-234, 2 C.F.R. § 200.317-318, 320-321, 323-326, 24 C.F.R. § 570.489 (g) and (h), and 24 C.F.R. § 570.611. Certain limited exceptions to the conflict-of-interest rules listed in 24 C.F.R. § 570.489 may be granted in writing by HUD and/or DEQ upon written request and the provision of information specified in 24 CFR § 570.489(h)(ii)(4), when procuring supplies, equipment, construction, and services.

In essence, no persons (employee, agency, consultant, officer, elected official, appointed official of the UGLG, or of any designated public agencies, or of contractors that are receiving CDBG funds) who exercise or have exercised any functions or responsibilities with respect to CDBG activities, or who are in a position to participate in a decision making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from a CDBG-assisted activity, or have a financial interest in any contract, subcontract, or agreement with respect to a CDBG-assisted activity, or with respect to the proceeds of the CDBG-assisted activity, either for themselves or those with whom

they have business or immediate family ties, during their tenure or for one year thereafter.

Furthermore, no employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a CDBG award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.

### **Grantees Responsibility**

It is the responsibility of the grantees to solicit for grant administration services and engineering services. It is a conflict of interest for a potential grant administrator and engineer to help the grantee with the procurement of grant administration if they intend to submit a proposal or qualification. This includes developing the Request for Proposals and Request for Qualifications and handling the solicitation process. A potential grant administrator can aid by directing the grantees to the Division website. Grantees can also contact CDBG-I Unit staff for technical assistance.

Regional Councils of  
Government staff may not  
assist with evaluating  
solicitation submissions, nor  
influence the selection of

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## CERTIFICATION OF DEBARMENT AND SUSPENSION

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All grantees must ensure that contract awards are not made to any party which is debarred or suspended, or is otherwise excluded from or ineligible for, participation in federal assistance programs under Executive Order 12549 “Debarment and Suspension” [24 CFR 85.35]. The local government must check the “exclusion” (i.e., debarment) status of all contractors and sub-contractors on the System for Award Management [federal database: sam.gov/SAM](https://sam.gov) and the [NC Department of Administration Debarred Vendors](https://www.ncadmin.nc.gov/government-agencies/procurement/contracts/debarred-vendors) prior to the award of a contract. The following websites must be checked to ensure eligibility:

- The Federal Debarment and Suspension/ Purchase and Contract List [sam.gov/SAM](https://sam.gov); and
- State of North Carolina Debarred Vendors/Purchase and Contract List (<http://ncadmin.nc.gov/government-agencies/procurement/contracts/debarred-vendors>)

### Who Must Register in the System of Award Management (SAM.gov)?

- Grantee (Local Government);
- Subgrantee or Grantees (Water or Sewer Authority / District); and
- Contractor (an entity that receives a contract which had been procured by the Grantee).
- All the above needs a Unique Identifier Number (UIN) on file

### Debarment Check Requirements:

- Check 1 (Company): A debarment check should be generated in Sam.gov - your check must show "active" status with "no exclusions." The company must be registered with SAM.gov to receive this report. **\*\*Printouts of website checks required. \*\***

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- Check 2 (Principals): A debarment check is also required for all principals of the company. **This is done in one of two ways 1) a Signed Certification of Eligibility Form and 2) adding a clause or condition in the contract.**

**Who Does Not have to Register in SAM.gov ?**

- Direct Beneficiaries of project;
- Subcontractors - used by contractor if contractor has been verified; and
- Contractor / Sub-Contractor - selected and hired by the direct beneficiary to complete scope of work
- Must have a unique identifier on file (taxpayer id #, SSN, or UIN)

Debarment Check Requirements:

- Direct Beneficiary: No check is needed.
- Sub-Contractor - Since the sub-contractor is not required to register with SAM you may receive a "no records" response when searching, which is not an acceptable debarment check. **Both a signed certification and clause in their contract is required for the company and its principals.**
- Contractor / Sub-Contractor - must adhere to the above "sub-contractor" requirements.
- NOTE: Although these entities are not required to "register" in SAM.gov, a debarment check should be performed using the UIN. Print the resulting report and place it in file. If a "no search record" is returned make sure you obtain a signed certification and have clauses in contracts.

CONTRACT AWARD

Awards must also be given to responsible and responsive firms.

Grantees are responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to source evaluation, protests, disputes and claims.

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### LOWEST AND BEST VS. LOWEST, MOST RESPONSIBLE AND RESPONSIVE

The lowest responsive bidder must be selected to provide the required supplies, equipment, or services, except for engineering services. Only engineering professional services may use factors other than price as a selection factor. The lowest, most responsible and responsive bidder must be selected for construction contracts. **The community must fully understand the definition of the terms “lowest and best bidder” and “lowest, most responsible and responsive bidder.”** They are often confused and interchanged but are very different.

**“Lowest and best”** is typically used in non-construction, competitive bidding, such as equipment, professional services, and supplies. An evaluation is completed that weighs the amount of the bid with factors such as ability to perform, timeliness, character and reputation, quality of past performance, compliance with laws, quality and availability, future maintenance and service, and compliance with bid specifications. Grantees may “score” bidders based on weighting that reflects which criteria is most important to them. An example is included in the chapter appendix. The top-scoring candidate may not necessarily be the lowest bidder. However, grantees that select other

than the lowest bidder must have their selection criteria in their procurement files for review at monitoring visits. There must be written documentation to support the selection.

**“Lowest, most responsible and responsive”** is typically used for competitive construction contracts. **Lowest** refers to bid amount. **Responsive** refers to a valid and correct bid. Examples of responsiveness include bids turned in prior to the deadline, bid forms filled out correctly, bids containing all required information (bonds), etc. A grantee may discard a non-responsive construction bid. **Responsible** refers to financial standing, skill, facilities, capacity, experience, previous work record, or having any default within the last 12-month period. Discarding a construction contractor **solely** based upon the factors of “responsibility” demands much more documentation and requires the written recommendation of the grantee’s own attorney.

## PROCUREMENT METHODS FOR THE CDBG-I PROGRAM

There are five methods of procurement allowed federally funding projects: micro-purchase, simplified acquisitions, competitive sealed bids, procurement by competitive proposals, and procurement by noncompetitive proposals. Each of these methods is described in the most recent [CDBG-I Program Procurement Policy](#) on the Division Website.

### Use of Intergovernmental Agreements or Inter-Entity Agreements

Under 2 C.F.R. §200.318(e), grantees may enter into intergovernmental agreements or inter-entity agreements where appropriate, to foster greater economy and efficiency to promote cost-effective use of common or shared goods and services. Thus, grantees wanting to

contract for grant preparation and/or grant administration with a Regional Council of Government (COG) may do so without regard to the federal procurement regulations provided for such services. The primary function of COGs is to aid units of local government, under the direct supervision and control of elected officials from the local units of government served. The public purpose served by the COGs, combined with their local control, tends to provide protection equal to those contemplated by the provisions of Subpart 318. However, nothing prevents any recipient from complying with the federal provisions when procuring grant preparation and/or administrative services if the recipient deems compliance to be equitable and in the best interest of the program.

NOTES:

### SECTION 3 REQUIREMENTS

As briefly discussed in Chapter 2, Section 3 [Title 24 CFR Part 75] establishes the requirements to be followed to ensure the objectives of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) (Section 3) are met. The purpose of Section 3 is to ensure that economic opportunities (training, employment and contracting), generated by certain HUD financial assistance shall be directed to low- and very low-income persons, particularly those who are recipients of government assistance for public housing or residents of the community in which the Federal assistance is spent.

HUD requires that to the extent a recipient must prepare a strategic plan, action plan, or other such plan in accordance with HUD program regulations, such plans must include a general description of the recipient's official Section 3 policies and procedures.



Official policies and procedures must include, at a minimum, steps that the recipient will take to:

- ✓ Inform sub-recipients and contractors about Section 3 obligations;
- ✓ Evaluate potential bidders for Section 3 compliance during contract selection;
- ✓ Notify Section 3 residents and businesses about economic opportunities;
- ✓ Implement verification and/or certification procedures for residents and businesses;
- ✓ Provide priority consideration to qualified Section 3 residents and businesses;
- ✓ Monitor sub-recipients and contractors for compliance;

Establish consequences for noncompliance; and

1. Utilize local community resources to meet its Section 3 requirements.

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## APPLICABILITY OF SECTION 3 REQUIREMENTS

Section 3 requirements apply to grantees that plan to obligate or commit an aggregate amount of \$200,000 or more in CDBG assistance to projects involving housing rehabilitation, housing construction, demolition, other public buildings, facilities, or infrastructure during a given annual reporting period (calendar year).

The requirements apply to the entire project that is funded with Section 3 covered financial assistance, regardless of whether the Section 3 project is fully-or partially funded with housing and community

development financial assistance, the requirements of Section 3 apply to the entire project, both HUD and non-HUD funded portions.

Bidding documents and project manuals will include required Section 3 materials. CDBG-I Unit Staff will assist grantees in understanding and applying criteria to evaluate potential bidders for Section 3 compliance during contract selection.

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## PROFESSIONAL SERVICES

Under 24 CFR Part 75, only non-construction services that require an advanced degree or professional licensing, rather than all non-construction services, are excluded from Section 3. The emphasis the statutory requirement to prioritize low- and very low-income workers and provides this category of exempted workers from reporting given the challenge to hire low- and very low-income workers in jobs that require such degrees and licensing.

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## SECTION 3 BUSINESS CONCERNS

Section 3 businesses must be selected in accordance with the [\*CDBG-I Program Procurement Policy\*](#) including price, ability and willingness to comply with this part, and other factors, to be considered lowest responsible bidders on contracting opportunities being sought.

Grantees, contractors, and others shall direct their efforts, if applicable by state and/ or local law, to award contracting or subcontracting opportunities generated from the expenditure of housing and community development financial assistance to Section 3 businesses.

NOTES:

The purpose of Section 3 is to ensure, to the greatest extent feasible, that training, employment, contracting, and other economic opportunities generated by Section 3 covered financial assistance shall be directed to low-and very low-income residents of the neighborhood where the financial assistance is spent, particularly to those who are recipients of government assistance for housing, and to businesses that are either owned by low-or very low-income residents of the neighborhood where the financial assistance is spent, or substantially employ these persons. Therefore, it is imperative to notify Section 3 workers and businesses about economic opportunities. The contractor must post signs advertising new employment, training, or subcontracting opportunities that will be available because of the Section 3 covered projects and activities in conspicuous places at the work site where potential applicants can review them.

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## SECTION 3 PROJECTS

Section 3 projects mean housing rehabilitation, housing construction, and other public construction projects assisted under HUD programs that provide housing and community development financial assistance when the total amount of assistance to the project exceeds a threshold of \$200,000. The project is the site or sites together with any building(s) and improvements located on the site(s) that are under common ownership, management, and financing.

### Using Subcontractors and Section 3 Business Concerns

In addition to certifying new employees' level of income, it is required by Section 3 that a grantee of CDBG funds more than \$200,000 try to the "greatest extent feasible" to facilitate awards to Section 3 businesses. To

give preference to Section 3 businesses during the contract awarding process, grantees must ask the contractor to certify whether they are a Section 3 business when soliciting proposals.

A Section 3 business concern is a business that meets at least one of the following criteria, documented within the last six-month period:

1. At least 51 percent owned and controlled by low- or very low-income persons;
2. Over 75 percent of the labor hours performed for the business over the prior three-month period are performed by Section 3 workers; or
3. A business at least 51 percent owned and controlled by current public housing residents or residents who currently live in Section 8-assisted housing.

Keep in mind, North Carolina's bidding laws do not allow awards to a bidder that is not the "lowest, responsive, and responsible."

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*It is important for recipients to work closely with their contractors and subcontractors early in the contracting process to ensure compliance with Section 3 requirements.*

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## CONTRACT MANAGEMENT REQUIREMENTS

The Division reserves the right to review a grantee's procurement file anywhere along the process, from a review of the solicitation document to a review of the full process before allowing the activity to move forward, to a site review as part of the monitoring process. Depending on the results of the review and when the review is completed, the Division reserves the right to request the grantee to redo all actions during the process. This determination could lead to CDBG being unable to reimburse the grantee for costs associated with the contract if not procured correctly.

In addition, all purchase orders and contracts shall include any clauses required by Federal Statutes, executive orders, and implementing regulations including Section 3 clause, per 24 CFR 570.489 (g).

## PROCUREMENT RECORDS

Each grantee must maintain complete records that document the rationale for the method used for procurement, selection of the contract type, contractor selection or rejection, and the basis for the selection including cost or price. ***There you must document the entire procurement process to show that it was conducted to allow full, fair, and open competition.***

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## CHAPTER 5 APPENDIX

NOTES:

- ✓ [Title 24 Part 75 – Economic Opportunities for Low- and Very-Low Income Persons](#)
- ✓ [Frequently Asked Questions for Section 3 \(HUD published March 25, 2021\)](#)

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**Flowchart for Proposals**



**Flowchart for Sealed Bids**



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## CHAPTER 6: ENVIRONMENTAL REVIEW & ENGINEER REPORT

NOTES:

The Environmental Information Document (EID) and the Engineering Report (ER) allows the Division, as well as other review agencies, to make determinations about the degree of impacts that can reasonably be expected to occur because of construction and operation associated with a proposed project.

Additionally, the ER and EID is needed to comply with the National Environmental Policy Act (NEPA). Projects funded through the Community Development Block Grant for Infrastructure (CDBG-I) program are subject to the U.S. Department of Housing and Urban Development (HUD) NEPA compliance process outlined at 24 CFR Part 58. The ER and EID is part of the Environmental Review Record (ERR), which is a project file that contains the ER and EID, final environmental documents, and other documentation required during the environmental review process.

This chapter is a summary of the environmental review and engineer report requirements. Grantees should consult their EID guidebooks, as well as the Division website under [CDBG-I Environmental Review](#) for detailed information. Additional information for Engineering Reports see Division website under [Engineering Report/Environmental Information Document](#).

### ENGINEERING REPORT (ER)

The Division's Wastewater and Drinking Water guidance and forms available on the Division website under [Engineering](#)

NOTES:

[Report/Environmental Information Document](#), must be used when completing the grantee's CDBG-I project required ER. The ER and the EID are planning documents that should identify project needs, evaluate alternatives for addressing those needs, and assess environmental impacts. Therefore, it is beneficial that these two separate documents are completed simultaneously.

The completed ER must be submitted to the CDBG-I Unit Program Engineer by the signified milestone/deadline along with the Submittal Checklist (on Division website) with initial submittals. The Unit Program Engineer will review the submission and provide comments and/or request additional information or revisions. Once review is complete, the Division issues an ER approval letter.

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*If there is a substantial change to the project scope after approval of the ER and/or EID, an amendment to the ER will may be required. If there is a possibility of a change in project scope, notify your Grant Representative immediately.*

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## ENVIRONMENTAL REVIEW

Recipients of CDBG funds are mandated to comply with the requirements of the National Environmental Policy Act of 1969 (NEPA) found at 24 CFR Part 58 and complete an Environmental Review Record (ERR). For a complete discussion and description of completing the ERR, please refer to the supplemental EID/ERR guidebook provided at the mandatory workshop.

## ENVIRONMENTAL INFORMATION DOCUMENT (EID)

NOTES:

Only individuals who have attended and passed the mandatory EID workshop and exam can prepare and sign-off on the EID and final environmental document for CDBG-I projects. Given the depth of this workshop and the materials covered, please refer to the CDBG-I EID preparation guidebook grantees received at the mandatory workshop for details on how to complete the Environmental Information Documents (EID) and ERR.

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## FINAL ENVIRONMENTAL DOCUMENT

Below is a summary of the most common final environmental documents based on completion of the Environmental Information Document. Again, please refer to the CDBG-I Environmental Documentation Preparation guidebook grantees received in the mandatory workshop for details on how to complete the EID and ERR.

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### **Certificate of Exemption (CE)**

The use of a certification of exemption is limited. It is used when funds are used only for engineering costs or design costs; in addition, only if compliance with any of the Section 58.5 crosscutters are not triggered. The necessary documentation is preparing the Certificate of Exemption, having the Certifying Officer sign the certificate and providing a map with the documentation of project area. One hard copy and one e-copy of the ERR will be submitted to the Division for review. Upon review and approval by Division, the Division will release the remaining funds (non-administrative).

### **Categorically Excluded Not Subject to Section 58.5 (CENST)**

NOTES:

CENST are for projects that are not subject to Section 58.5 and will have a negligible impact on the environment. It is rarely used. Documentation steps include: 1) preparing the CENST and having the Preparer and Certifying Officer sign it, 2) Submitting one hard copy and one e-copy of the ERR to Davison, 3) Division will receive and approve, 4) Division will release the remaining funds (non-administrative).

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### **Categorically Excluded Subject to Section 58.5 (CEST)**

The use of a CEST is when:

- ✓ It is a replacement/rehabilitation project that would increase capacity (connections) by 20 percent or less.
- ✓ Relatively minor impact on the environment.
- ✓ Reviewing Section 58.5 crosscutters ensures a minor impact.

The documentation needed for a CEST includes:

- ✓ Preparing a CEST based on the EID
- ✓ Certifying Officer signs CEST
- ✓ Preparing the Request for the Release of Funds (RROF)
- ✓ Completing public notification process
- ✓ Completing RROF

The CEST, RROF and one hard copy of the ERR will be sent to the Division for review (objection period). After the objection period is over, send the Division one e-copy of ERR and the Division releases the remaining project funds (non-administrative).

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### **Finding of No Significant Impact (FONSI)**

NOTES:

A FONSI is the most common environmental review for CDBG-I projects.

It is used:

- ✓ For projects where the potential for significant impacts exists.
- ✓ Rehabilitation / replacement projects expanding capacity (connections) by more than 20 percent.
- ✓ Projects installing new equipment, distribution lines, collection lines, wells, water treatment plants, wastewater treatment plants, pump stations, etc.

The documentation process for a FONSI is:

- ✓ Prepare FONSI based on EID
- ✓ Certifying Officer must sign
- ✓ Prepare Notice of FONSI and RROF
- ✓ Complete the public notification process
- ✓ Complete RROF
- ✓ Send FONSI, RROF, and one hard copy of EID to the Division for review (objection period)
- ✓ After objection period, send one e-copy of EID to Division
- ✓ Division releases funds (non-administrative)

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### Public Notification

Each recipient is required to notify the public for the following:

- ✓ Categorical Exclusions Subject to Section 58.5 (will publish/post a Notice of Intent to Request Release of Funds – NOI/RROF)
- ✓ Findings of No Significant Impact (will publish/post a FONSI and Request Release of Funds – FONSI/RROF)

### Process

NOTES:

Categorical Exclusion Subject to Section 58.5 must do the following:

- ✓ Complete CEST
- ✓ Complete NOI-RROF
- ✓ Publish/Post NOI-RROF
- ✓ Public comment period
- ✓ Respond to public comments
- ✓ Submit RROF and ERR (hard copy) to Division

Finding of No Significant Impact must do the following:

- ✓ Complete FONSI
- ✓ Complete NOI-FONSI/NOI-RROF
- ✓ Publish/Post NOI-FONSI/NOI-RROF
- ✓ Public comment period
- ✓ Respond to public comments
- ✓ Submit RROF and ERR (hard copy) to Division

**Methods**

Recipients can either publish or post their public notifications. The local comment period begins the day after the date the notice is published or posted. If the last day of the local comment period should fall on a Saturday, Sunday or Federal holiday, the comments period shall be extended to the next business day.

Mailing and Publishing Requirements include:

- ✓ Mail to:
  - All interested parties
  - Division
  - EPA Region 4
  - All applicable State, local, and tribal agencies

- ✓ Publish in a newspaper of general local circulation in the affected community

Mailing and Posting Requirements include:

- ✓ Mail to all the above
- ✓ Post in at least three (3) designated public places agreed upon in the citizen participation process

**Responding to Public Comments**

Recipients must create a comment/response document for logging public comments received during the local comment period. Group similar comments together into one response. There are three ways to respond to public comments:

1. Acknowledge.
2. Respond in response document, but no change to the EID/final environmental document is needed.
3. Respond in response document and change EID/final environmental document.

If the final document is changed, a renote to the public is needed.

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**Objection Period**

The final document and RROF must be submitted to the Division no earlier than one day after the local comment period ends.

Once the final document is submitted to the Division for review, there is another 15-day objection/comment period, which starts the day after the documents are received by the Division. This period is required by Federal regulations. Grantees cannot conduct physical or choice-limiting activities during this period. During the objection period, the



division, the public, and other agencies can object to the final document. If an objection occurs, the grantees has 14 days to respond (when applicable) where additional public notification may be required, and the objection period restarts again.

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#### REQUEST TO RELEASE OF FUNDS

The request to release funds (RROF) certification form cannot be signed and dated by the Certifying Officer until after the designated comment period is over at the local level. Once the 15-day objection period is over and the Division approves the final environmental documents and RROF, the Division will release the remaining funds (non-administrative) on day 16. Once the Division releases the remaining funds, recipients can proceed to completing the next milestone task – Bid and Design Package.

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## CHAPTER 7: ACQUISITION AND RELOCATION

NOTES:

This Chapter discusses the requirements for acquisition of real property and/or permanent easements and/or temporary easements for CDBG projects. It does not matter if the property used for the CDBG project is purchased with federal funds or local funds, the purchase must still follow the acquisition and relocation requirements outlined in this Chapter.

This chapter will outline the requirements for real property acquisition and relocation, the recordkeeping, and appeals process.

Any acquisition is subject to the URA if Federal assistance (CDBG) is a part of any portion of the project, regardless of whether the Federal financial assistance (CDBG) is used for the acquisition of real property.

The primary source for HUD real

estate acquisition and relocation policy is HUD Handbook 1378, available on the HUD website.

### FEDERAL REGULATIONS

There are two federal regulations that govern property acquisition when CDBG funds are involved: **The Uniform Relocation and Real Property Acquisition Act of 1970 (URA)** and **Section 104(d) of the Housing and Community Development Act of 1974**. This section provides a general summary of the most common requirements of CDBG recipients under these laws.

NOTES:

Acquisition and relocation requirements are applicable to the grantees or the sub-recipient (Rural Water/Sewer District). It does not matter if the property used for the CDBG project is purchased with federal funds or local funds, the purchase must still follow the acquisition and relocation requirements outlined in the following pages.

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#### SECTION 104(D)

Section 104(d) requires local governments receiving CDBG assistance to provide a one-for-one replacement of all occupied and vacant, occupiable lower-income dwelling units that are demolished or converted to another use in connection with a CDBG assisted activity, unless the State of North Carolina determines that objective data indicates that there is an adequate supply of vacant lower-income dwellings in standard condition available.

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#### URA

The primary source for HUD real estate acquisition and relocation policy is “[HUD Handbook 1378, Tenant Assistance, Relocation and Real Property Acquisition](#)”, and Part V of the Department of Transportation regulation located at 49 CFR Part 24 updated January 4, 2005, which provides the information necessary to address any type of acquisition and contains detailed guidance on the URA requirements.

Before proceeding with any acquisition, the recipient should review the [HUD resources and training modules](#) on compiling with URA the HUD Way. Since the handbook is in a continual state of being updated, it is

recommended that the grantees obtain the most current version located on the HUD web site

([https://www.hud.gov/program\\_offices/comm\\_planning/relocation](https://www.hud.gov/program_offices/comm_planning/relocation)).

In accordance with 49 CFR 24.2(a)(22) URA requirements apply to any project where federal financial assistance is received or anticipated in any phase. “Anticipated” includes any acquisition taking place on the date the CDBG application is submitted becoming subject to the URA, unless the recipient shows that the acquisition was unrelated to the proposed CDBG activity. Also, even an acquisition that took place before the date of submission of the application can be subject to the URA if the Division determines that the acquisition was intended to support a subsequent CDBG activity.

In accordance with HUD Handbook 1378, Chapter 1-4-I-2, please note that the following will also trigger the URA requirements and need for general information notices (GIN). In these instances, the URA requirements apply whether the department has received an application:

1. Conducting a first public hearing identifying that it is the applicant’s intent to use CDBG funds; or
2. Issuance of any other form of public notice (press release, newsletter, public notices or advertisements) that identifies intent to use CDBG funds for the proposed project; or
3. Any action at public City Council meetings, County Commission meetings or other public meetings regarding the potential use of CDBG funds for a project; or
4. Initiation of an income survey to determine if the project will meet the area wide low- and moderate-income benefit requirements; or

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5. Any other event or event documentation that can be considered convincing rebuttable evidence documenting intent to use CDBG funds for the project.

**Grantees cannot begin the acquisition process and cannot enter any legal binding commitment on a particular site before the environmental review is complete.** However, an option agreement may be used to gain site control while allowing time to complete the environmental review IF the option agreement is subject to a determination by the recipient of the desirability of the property for the project because of the completion of the environmental review and the cost is a nominal portion of the purchase price.

A real estate option contract or agreement is a legal agreement between the potential buyer of real property and the owner of that property. The real estate option agreement gives the potential buyer the exclusive right to buy the property at a specific price within a specific time. The option agreement does not impose any obligation upon the potential buyer to purchase the property. The option agreement does oblige the seller to sell at the specified price if the potential buyer exercises the option to buy in the manner described in the contract.

An option agreement prior to the completion of the environmental review may be used when the following requirements are met:

1. The option agreement is subject to a determination by the recipient on the desirability of the property for the project because of the completion of the environmental review in accordance with 24 CFR Part 50; and
2. The cost of the option is a nominal portion of the purchase price.

The provision allows flexibility regarding the term “nominal” and any reasonable interpretation is acceptable. For instance, it is reasonable to conclude that the nominal amount for option contracts will vary depending upon the local real estate market and the purchase price.

Grantees are also cautioned not to execute a construction (or demolition) contract prior to completing the acquisition of all required real property, easements or rights of way in accordance with URA requirements. If a property is in the process of being condemned, the action must be filed in court prior to execution of a construction contract.

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## ACQUISITIONS PROCEDURE

Grantees need to ask the following questions: Does the purchaser of the property have the power of eminent domain? If the answer to this question is **NO** (for entities such as non-profit organizations and rural water districts); then, complete the following steps in order:

1. The sub-recipient notifies the property owner in writing by certified mail that it does not have the power of eminent domain and therefore, it will be unable to acquire the property in the event negotiations fail.
2. Inform the owner in writing by certified mail of the fair market value for the property; an appraisal is not necessary, but the offer must include an explanation of how the value was reached.

If the answer to the above question is **YES** (for UGLGs); then the grantees needs to ask the following question: Will the purchase be **voluntary or involuntary?**

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## VOLUNTARY

To be considered a Voluntary Acquisition, it **MUST meet all** the following criteria:

1. No specific property is needed but the search for alternative sites may be limited to a general geographic area.
2. The property is not part of a planned or designated area where all the property in the area will eventually be acquired.
3. The recipient agrees that it will not use its power of eminent domain even if negotiations fail.

If all the above is true, the Recipient must inform the property owner in writing by way of certified mail:

1. The power of eminent domain will not be used if negotiations fail.
2. Fair market value for the property; an appraisal is not necessary, but the offer must include an estimate of Fair Market Value. The offer does not have to equal the Fair Market Value.

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## INVOLUNTARY

If all the above criteria for voluntary acquisition **are NOT MET**, then the recipient will complete the following steps in order:

1. **Notice of Interest to the Property Owner:**

This notice tells the owner of the recipient's interest in acquiring the property. It should be issued as soon as is feasible, following the recipient's identification of the real property in which it has an interest. The notice must outline the protection available to the owner and should include information on the recipient's process



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and obligation in conducting an appraisal. The HUD brochure “When a Public Agency Acquires Your Property.” This must be given to the property owners.

2. **Notice:**

Recipient must provide notice as required to tenants throughout the process.

3. **Appraisal:**

The URA specifies a process to accomplish the standard of paying just compensation as set out in the Fifth Amendment to the U.S. Constitution. The URA requires that a qualified appraiser estimate the fair market value of the property through the appraisal process.

After the owner has been notified of the recipient’s interest in the property, an appraisal must be conducted. The appraisal should be done before negotiating the purchase price. The property owner or a representative must be given the opportunity to accompany the appraiser while on site.

Appraisals are defined as written statements setting forth the market value of a specific property on a specific date. This analysis must be conducted independently and impartially by a certified appraiser and must be supported by analysis of relevant market information. The market value of a partial acquisition is the value of the whole property less the value of the remaining property. To the extent possible under the law, the appraiser should disregard any enhanced or decreased value to the property to be caused by the project.

NOTES:

Appraisals conducted for the acquisition of property for federal funded projects must follow the Uniform Standards of Professional Appraisal Practice (USPAP).

Appraisals are not required if the owner is donating the property and releases the recipient from its obligation after being informed in writing of the right to an appraisal.

Appraisals are also not necessary when the Agency determines that the property valuation problem will be uncomplicated, and the available data indicate a market value of less than \$10,000 (up to \$25,000 if the Agency offers the landowner an appraisal and he refuses it in writing). If the above criteria are met, then the Agency will prepare a waiver valuation drafted by a person having sufficient understanding of the local real estate market. If the property owner requests an appraisal, one will be conducted.

Recipients must establish minimum qualifications for appraisers. These vary according to the difficulty of the review. Inexperienced appraisers should not be asked to examine complex properties. The Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) standards apply to URA. Fee appraisers making a detailed appraisal must be state certified.

Appraisers must not have any conflicts of interest with the owner or property they are to review. This includes direct and indirect ties. Payment for conducting the appraisal may not be tied to the resulting property value.

The appraiser shall disregard any decrease or increase in the market value of the real property caused by the project for

which the property is to be acquired, or by the likelihood that the property would be acquired for the project, other than that due to physical deterioration within the reasonable control of the owner.

**4. Review Appraisal:**

After the initial appraisal is conducted, it must be checked by a qualified review appraiser. The review appraiser must examine all appraisals to check for accuracy, documentation, and soundness of opinion. If the review appraiser does not accept an appraisal, a second full appraisal must be sought. If the review appraiser does not agree with the original appraisal and it is not practical to do a second appraisal, the review appraiser may present and analyze market value information to support a recommended value. The reasons for the change and the new value must be set out in a certified document.

**5. Purchase offer and Summary Statement of the Basis for Just Compensation:**

Recipients must establish the amount of just compensation to offer the property owner, which cannot be less than the approved appraisal. An authorized representative for the community must set the amount to be offered.

After an appraisal determines the fair market value of the property and is approved by the review appraiser, the recipient should promptly deliver a Purchase Offer and a Summary Statement of the Basis for Just Compensation to the owners. The Purchase Offer should be at an amount not less than the approved appraisal. The Summary Statement of the Basis for Just Compensation is a written explanation of the purchase offer.

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If the acquisition will leave the owner with an “uneconomic remnant,” the recipient must offer to buy the full property (an uneconomic remnant is a parcel of property left after acquisition that has little or no value to the owner). If the owners retain or remove property improvements from the site, the salvage value of the improvements should be deducted from the offer of just compensation.

**6. Negotiation of Purchase Price:**

When feasible, negotiations should be conducted in person. Owners have the right to suggest alternatives or additions to the offer of just compensation and to suggest changes in the appraisal. If the owner’s information or suggestions warrant a new appraisal, one must be conducted. A review appraisal also may be needed if significant time has passed since the original appraisal. If the second appraisal suggests an increase in the fair market value, this must be communicated to the owner and a new offer of just compensation must be made.

Recipients may not take any coercive action (e.g., advancing the time of condemnation or depositing just compensation funds with the court) to rush or influence the owner’s decision. Recipients may allow an owner or tenant to remain on the purchased site at a market rent for the property. However, recipients should ensure that this lease would enable them to legally and readily take possession of the property as required by the project plans.

Recipients may authorize an administrative settlement that exceeds the amount of just compensation. The recipient should document such action with information such as court

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awards exceeding market value, estimated legal costs or valuation errors. Recipients must not pressure appraisers to change the value of their estimates.

Before taking possession of a property, the recipient must pay the owner the agreed upon price. In the case of a condemnation, money must be deposited with the court for the owner. This amount should be no less than the market value or court award of compensation. Only in exceptional circumstances and with the owner's approval may the recipient enter the property before payment.

The owner of the real property shall be reimbursed for all reasonable expenses the owner necessarily incurred for the following:

- ✓ Recording fees, transfer taxes, documentary stamps, evidence of title, boundary survey and legal description of the real property (however, the recipient is not required to pay costs solely required to perfect the owner's title to the real property);
- ✓ Penalty costs and other charges for prepayment of any pre-existing recorded mortgage entered in good faith encumbering the real property; and
- ✓ The pro rata portion of any prepaid real property taxes allocable to the period after the recipient obtains title to the property or effective possession of it, whichever is earlier.
- ✓ Whenever feasible, the recipient shall pay for the incidental expenses directly so the owner will not have to pay such costs and then seek reimbursement from the recipient. To avoid duplicate expenditures, the property owner should be

informed early in the acquisition process of the recipient's intent to make such arrangements.

#### **7. Tenant Assistance:**

The Recipient must provide advisory services, moving assistance, and relocation payments as applicable.

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### CONDEMNATION PROCEEDINGS

Our program cannot fund property taken through condemnation.

Therefore, if negotiations are unsuccessful, grantees must walk away and redesign their project.

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### PROPERTY DONATION

If a property owner wishes to donate their property, no appraisal is necessary. The property owner must release the recipient from the obligation to conduct an appraisal in writing. The property owner must also be informed of their rights and be sent a copy of "When a Public Agency Acquires Your Property".

### RELOCATION PROCEDURE

If the property that is acquired for the CDBG funded project has tenants (households, businesses, non-profit organizations or farm operations) the buyer must provide to each tenant one of the following Notifications: "Notice of Relocation Eligibility (NOE) (49 CFR 24.203(b))" or "Notice of Nondisplacement".

Tenant households, businesses, non-profit organizations, or farm operations that occupy the property and are "displaced persons" as defined in the regulations are eligible for all advisory services and financial benefits under either the URA or Section 104(d). The buyer must

provide all the required notifications in a timely manner. Property owners cannot waive these rights for tenants of their properties on a voluntary transaction.

The buyer must provide all the required notices to tenant households, businesses, non-profit organizations or farm operations that occupy the property and are “displaced persons” as defined in the regulations either at URA or 104d. The notices are in the appendices to Handbook 1378.

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## CHAPTER 7 APPENDIX

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Appendix 7 contains the following:

- ✓ Additional Resource Links
- ✓ Real Property Acquisition Process Flowchart

### ADDITIONAL RESOURCE LINKS

- ✓ The primary source for HUD real estate acquisition and relocation policy is [HUD Handbook 1378.0, Tenant Assistance, Relocation, and Real Property Acquisition Handbook](#), is available on the HUD website.
- ✓ Please visit HUD's Real Estate Acquisition and Relocation website at: <https://www.hudexchange.info/trainings/ura-the-hud-way/resources/#module-1-ura-overview>



## REAL PROPERTY ACQUISITION PROCESS

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## CHAPTER 8: FINANCIAL MANAGEMENT & AUDITS

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Effective financial management is the heart of CDBG administration. Grantees are held accountable for all funds, property, and assets of the CDBG program. Recipients must maintain a financial accounting system for the grant that meets Federal and State requirements.

This chapter outlines the financial management standards and procedures for administration of federal CDBG grants administered by the Division. Grantees should become familiar with these standards and procedures to facilitate project administration and to avoid having problems arise at the time of grant close-out and audit.

The basic procedures and forms necessary to comply with federal CDBG standards in four areas of financial management are:

1. Financial accountability and maintenance of the CDBG accounting system records
2. Request for reimbursement procedure
3. Reporting on grant financial activity and audit requirements
4. Amendments and extensions

Financial management forms can be found on the Division website under [CDBG-I Reports](#).

## GENERAL FEDERAL AND STATE REQUIREMENTS

The basic standards and requirements governing the financial management of CDBG projects consist of those found in:

- ✓ 24 CFR Part 570, Community Development Block Grant Program
  - Subpart I governs the State CDBG program
- ✓ Section 570.489 details program administration requirements.
- ✓ Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR Part 200, with exceptions outlined in 24 CFR 570.502.
- ✓ NCDEQ policies: *CDBG-I Program Procurement Policy and Three-Day Rule Policy*

## FINANCIAL ACCOUNTABILITY & CDBG ACCOUNTING SYSTEM RECORDS

Recipients must comply with the federal regulations for federal CDBG grants. Grantees is responsible for ensuring that all CDBG expenditures are authorized in the approved budget. Accounting records for CDBG-I project funds must be maintained separately from all other funding (general funds, other grants and loans, etc.), as a separate cost account; however, recipients can use a basic record tracking system such as a ledger or excel spreadsheet to track all project funds if there are several funding sources for the project.

Fiscal and administrative activities by grantees must show:

- ✓ Uses of CDBG funds comply with all applicable statutory and regulatory requirements;
- ✓ Accurate, current and complete financial reporting;

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- ✓ Accounting records that identify the source and application of funds;
- ✓ Effective internal controls and accountability for all assets;
- ✓ Budget controls with actual expenditures compared to budgeted amounts
- ✓ Document all funds received have been spent only for reasonable and necessary costs of program operations;
- ✓ Must be able to trace funds to establish that they have not been used in violation of any statutory or regulatory restrictions; and
- ✓ Demonstrate that funds have not been used for general expenses of the local government.

Grantees must take the following steps to ensure adequate local accounting system for CDBG-I funds.

1. Establish Internal Controls
2. Designate a Responsible Individual / Finance Officer
3. Establish / Maintain Financial Records

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## ESTABLISH INTERNAL CONTROLS

Effective control and accountability must be maintained for all grant and sub-grant cash, real and personal property, and other assets. Grantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

### **Budget Controls**

The approved grant budget, contained in the grant contract/agreement, identifies the activities determined to be eligible for reimbursement by grant funds. The recipient's financial system must have procedures in

place to monitor obligations and expenditures against the approved budget in the grant contract. The system must:

- ✓ Maintain the amounts budgeted for eligible activities in its accounting records;
- ✓ Adopt a project budget ordinance and readopt as needed.
- ✓ Include both obligations/expenditures and unexpected/unobligated balances for each line item; and
- ✓ Periodically compare actual obligations and expenditures-to-date against planned obligations and expenditures and against projected accomplishments for the grant project.

### **Time Sheets/Time Distribution Records**

All employees paid in whole or in part from CDBG funds must prepare a monthly and daily timesheet indicating the hours and tasks worked on the CDBG project for each pay period. Based on these time sheets and the hourly payroll costs for each employee, a voucher statement indicating the distribution of payroll charges should be prepared and placed in the appropriate files. Invoices presented to Grantees from third-party contracts or agreements set up on a "cost reimbursement basis" shall be supported by similar records.

### **Review System**

The grantee must adopt a written procedure for determining the reasonableness, allowability and allocability of costs. Since a Grantee's finance officer may not be familiar with the CDBG program, CDBG administrators should review and approve vouchers and invoices. This process will ensure that all costs are reasonable and eligible under CDBG regulations. The project administrator will indicate review and approval by initialing all invoices submitted for reimbursement from CDBG funds, except their own invoices. Copies of all invoices must be

reviewed, signed, and dated by the authorized signatures, as well as the requisition forms.

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#### DESIGNATE A RESPONSIBLE INDIVIDUAL / FINANCE OFFICER

Grantees must appoint an individual who will be responsible for the financial management of the project. This individual should be familiar with the grantee's present accounting system and involved with all aspects of the financial administration of grant funds, in accordance with the regulations stated above.

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#### FINANCIAL / ACCOUNTING RECORDS

Grantees must have a financial management system that provides accurate, current, and complete disclosure of the financial status of each activity supported by CDBG funds. This means that reports indicate the dollar amount allocated for each activity (including any budget revisions), the amount obligated (i.e., for which contracts exist), and the amount expended for each activity.

The system must permit the comparison of actual expenditures and revenues against budgeted amounts. If the project budget includes sources of funding in addition to those provided by the HUD CDBG program, including program income, these funds must appear in the financial management system just as they were shown in the proposal. A grantee's financial management system must be able to isolate and trace CDBG funds received and document their disbursement.

Financial records should be kept on a fiscal year basis to facilitate annual audit and closeout. Receipts and expenses should be posted monthly within all financial records.

Separate accounting records for the CDBG funds must be maintained. Not only will separate records serve all the above recordkeeping requirements, but they will also eliminate potential conflicts with the grantee's usual recordkeeping systems, which may reflect a different local fiscal year, accounting-by-function, or department, rather than activity.

Grantees must maintain records and a capital project fund that adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or sub-grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

At a minimum, these accounting documents must be established for recording CDBG transactions:

- ✓ **Cash Receipts / Transaction Journal:** This journal must be maintained to record the receipt of all funds (local, state, and federal) used for program activities. The record must include the date funds were received, the amount of funds received, date funds were received/posted, the source of the funds, and the accounts into which funds were assigned.
- ✓ **Cash Disbursement Journal:** This journal must be maintained to record all checks issued for the payment of program costs. The record must include the payment date, the payee/vendor's name, invoice number or similar identifier, the check number, the



amount, and the account from which the disbursement was made.

- ✓ **General Ledger:** This ledger must be maintained to summarize cash receipts and disbursements on a sub-account basis. All entries to the General Ledger must be made from the Cash Receipts and Cash Disbursements Journal.

In all financial recordkeeping, the grantee is required to treat administration as a separate activity and account for administrative costs in the same manner. Financial records must clearly identify costs within the following categories:

- Costs requested for reimbursement through grant funds;
- Costs to be claimed as matching funds, paid by the grantees or a partnering entity; and
- Costs to be paid by local funds that exceed the grant agreement or otherwise are not being claimed in the grant agreement.

The checks should be pre-numbered and state the name of the Grantee, the name of the project and the project number. Counter checks (checks that are not pre-numbered and do not provide project identification) must not be utilized.

Source(Backup) Documentation, includes, but not limited to:

1. Project budget ordinance and amendments;
2. Record of direct deposit payments;
3. Verification of deposits;
4. Bank statements and canceled checks or check images must be maintained with the appropriate accounting records. The bank statements must be reconciled monthly and appropriate

documentation supporting the reconciliation must be included with the bank statements.

5. General Leger with cash receipts and cash disbursements journal;
6. Employee time and attendance sheets related to costs claimed;
7. Cost Allocation Plan for indirect costs;
8. Equipment and/or property inventory;
9. Deeds, easement documents, purchase agreement for acquisition of property;
10. Purchase orders, invoices, receipts, and third party requests for payments;
11. Third party agreements; and
12. All original source documents.

Accounting records should also be maintained on an activity-level basis to make it easier to monitor the financial status of separate activities.

Invoices, bills of lading, purchase vouchers, payrolls and other fiscal support must be secure and retained for three years from the issuance date of the final audit report to provide support for what purpose funds were spent. Payment must never be made without invoices and vouchers physically in hand. All vouchers/invoices must be on vendor's letterhead and include project identification, such as project name and number.

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## PROJECT COSTS AND DISBURSEMENT OF GRANT FUNDS

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CDBG-I recipients are required to follow 2 CFR §200 and 24 CFR §570 which prescribes the cost accounting policies associated with the administration of Federal awards. Recipients must ensure costs charged to the CDBG grant are allowable. The standards for determining allowable costs apply equally to such items as salaries and administrative service contracts, as well as real property and equipment purchases or leases, travel (for grant specific requirements), and other administrative expenditures. Recipients must use the standards for determining allowability equally to all cost items and apply whether a cost is direct or indirect.

Direct costs are costs that can be specifically identified with a particular final cost objective, such as paying employees for time spent on the project, materials, equipment, capital expenditures, and travel.

Indirect costs are those for the common purpose benefiting more than one objective or that cannot be readily assigned to the objective. Such as costs incurred by other departments in an organization—commonly called overhead expenses.

Allowable costs under CDBG, must:

- ✓ Be necessary and reasonable.
- ✓ Be allocable according to the CDBG contract.
- ✓ Be authorized or not prohibited under state/local laws and regulations.
- ✓ Conform to limitations and exclusions (laws, terms, conditions of award, etc.).

Be consistent with policies, regulations, and procedures.

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## PERIOD FOR INCURRING REIMBURSABLE EXPENDITURES

The NCDEQ will reimburse the grantees only for allowable project expenditures that are incurred by the grantees or the grantee's consultants, contractors, or vendors during the period between the Award Date and the Expiration Date of the grant contract – except for grant preparation expenses if procurement was conducted as required (see Grant Preparation Expenses below).

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*No funds (CDBG and non-CDBG monies) may be obligated or expended in any project activity except for the administration activity in the project until the recipient has complied with the Environmental Review Procedures for the CDBG Program and the CDBG environmental regulations contained in 24 CFR Part 58.*

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## PROJECT (GRANT) ADMINISTRATION COSTS

Grantees may request reimbursement for administrative costs consisting only of costs of labor for administrative work conducted exclusively on the project. The grantee's requests for such reimbursement shall be made under the grant administration line item of Exhibit B (project budget) of grant agreement / contract and shall conform with the following:

- Costs allowable under the grant administration line item shall be only costs of labor needed to comply with the general conditions of the grant contract (e.g., progress reports, the environmental review, the engineering report, compliance activities, payment

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requests, preparing the project final report, revisions to the grant contract).

- Allowable grant administration labor costs may include any of the following: (a) pay to the grantee's payroll employees, plus the grantee's cost of paying benefits on such pay (usually employees' pay times an audited or auditable benefits multiplier) with the submission of timesheets identifying hours worked on CDBG-I project tasks; (b) pay to contract employees of the grantees (e.g., temporary office support), payable at the grantee's actual cost, without application of a benefits multiplier; and/or (c) cost of professional services labor contracted by the grantees (e.g., engineering firm or consultant), payable at the grantee's actual cost for that labor.
- Costs of any other work described in the project scope of work in Exhibit A of grant agreement/ contract are not allowable under the grant administration line item of Exhibit B.

### **New Thresholds for Grant Administration.**

Grantees can request and drawdown from the grant administration line item stated in Exhibit B, up to a specific percentage when these thresholds are met:

- Actual costs up to 25% maximum at time of removal of grant conditions, lesser amounts may be drawn prior to this milestone.
- Actual costs up to 50% maximum at time of approval of 1st contractor application for payment, lesser amounts may be drawn prior to this milestone.

- Actual costs up to 75% maximum at time of 50% construction draw, lesser amounts may be drawn prior to this milestone.
- 100% based on actual costs at final report after all required paperwork has been submitted and approved.

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Once a project is under construction, requests for funds for only administrative and service delivery (i.e., engineering, and related expenses) costs will not be processed without public improvement and/or limited housing rehabilitation activity (i.e., contractor applications) costs are included and approved by authorized parties (contractor, engineering, and owner). Grantees must request project improvement and/or limited housing rehabilitation activity, service delivery, and administration once construction has started.

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*No funds (CDBG and non-CDBG monies) may be obligated or expended in any project activity except for the administration activity in the project until the recipient has complied with the Environmental Review Procedures for the CDBG Program and the CDBG environmental regulations contained in 24 CFR Part 58 and other funding conditions attached to the grant.*

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## GRANT PREPARATION EXPENSES

If awarded a CDBG-I Grant, the local government may request the use of a small portion of their grant administration funds to pay for their grant application preparation expenses.

Awarded grantees may receive up to \$3,000 for grant application preparation expenses if they use census data to determine LMI and up to \$5,000 for grant application preparation expenses if they conduct an income survey to determine LMI. Costs incurred for CDBG-I grant application preparation are eligible for reimbursement only to successful applicants who complied with the CDBG-I Program Procurement Policy.

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*Consult with CDBG-I Unit staff during grant application development if you have any questions on application*

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## ENGINEERING SERVICES COSTS

The grantees will be reimbursed the cost of engineering services consisting only of costs of labor for engineering work conducted exclusively for the project and outlined, in detail, in the executed engineering contract(s). The grantee's requests for such reimbursement

shall be made under either the grant administration or the public improvement activity line item, as a service deliverable expense, and shall conform with the following:

- If expenditures for these services are included in the grant agreement, payment must be made on a pro rata basis consistent with the fee payment schedules specified in the applicable professional service contract. Payment over these amounts shall not be made with grant funds. Additionally, payment for “additional services” shall not be made unless prior approval has been obtained from the CDBG-I Program Manager.

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## CONSTRUCTION COSTS

All costs must be specific to the scope of work defined in the grant contract and/or project amendments, applicable change orders, and consistent with the amount of work completed as confirmed by the contractor’s pay applicable. Confirmation shall be in the form of signature by the engineer who observed and can confirm that the work is consistent with the amount of grant funds requested.

### **Payment of Construction Contingency Funds**

Construction contingency is a percentage (minimum of 5% up to 10%) of the total estimate construction costs line item in the application budget to ensure the construction purpose is met. The CDBG-I Unit has the final authority on using contingency to pay for changes in work or claims. Construction contingency funds will not be disbursed until the grantees has demonstrated that they have expended at least 90% of all other matching funds including matching grant and/or loan funds. The



construction contingency may be reduced below 5%, to no less than 2.5% once construction is 95% completed.

### **Change Orders**

All change orders must be provided to the CDBG-I Program Engineer for review of eligibility prior to the change occurring.

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## **EQUIPMENT**

Grant funds for equipment should be expended only when such equipment has been permanently installed. Partial payment for equipment that has not been installed is acceptable if the amount requested is for the material cost of the equipment and not any labor that is to be performed. Only equipment specified in the grant contract may be purchased with grant funds.

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## **CONNECTION / HOOKUP FEES**

The connection of individual private LMI residences to a public water or sewer system is considered rehabilitation activity, eligible under 24 CFR 570.202(b)(6), and not a public improvement.

As a rehabilitation activity, CDBG assistance for water/sewer connections is not covered by the special assessment provision of 24 CFR 570.200(c)(1). The use of CDBG funds to pay these fees, on behalf of LMI residents, to tap into water and sewer lines is generally eligible under the provisions of CFR 570.200(c), special assessments under the CDBG program. The federal regulations state that if CDBG funds are used to pay such fees for LMI residents, the existing public improvement becomes an assisted activity which must have been built in compliance

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with all applicable CDBG requirements for assisted activities. If the project application budget included these types of fees, there must be evidence of meeting the federal and state statutes and regulations for this CDBG grant to pay the fees.

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## ACQUISITION COSTS

Expenditures for all activities budgeted in the grant contract specific to acquisition can be paid with grant funds in the amount(s) specified in project application budget if the HUD acquisition process is followed. These activities include appraisal, review appraisal, survey, property purchases, legal condemnation costs, abstractor, legal fees, filing/recording fees, relocation assistance to displaced property owners or businesses, and associated costs such as postage and publication. To ensure cost reasonableness, copies of acquisition documentation will be required for request over \$10,000.

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## NO EXCESS COSTS

The Division will reimburse the grantees only for costs actually incurred by the grantees that do not exceed the funds budgeted for the project shown in the project budget.

## REQUEST FOR REIMBURSEMENT PROCEDURE

There are four steps that must be completed prior to grantees receiving CDBG monies:

1. Executing the grant agreement/contract with NCDEQ.

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2. Submitting signed “Authorized Financial Signatory Form and Certification”.
3. Submitting “Vendor Electronic Payment Form”.
4. Submitting “W-9 Form”.
5. Submitted “Sale Tax Certification Form”.
6. Submitting the first “Request for Funds (RFF) / Reimbursement Form” and “Pay Request Checklist”.

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## EXECUTING THE GRANT AGREEMENT / CONTRACT

Execution of the grant agreement is complete only after the grant agreement has been signed by the grantees and by the director of the Division of Water Infrastructure. Generally, the process of executing the grant agreement occurs in the following way:

1. After the SWIA approves the final grant application scoring sheets, CDBG-I Unit staff notifies the applicant that the proposed project has been awarded funding and that a contract agreement will be forthcoming.
2. The Division then prepares a contract agreement and mails two copies to the UGLG.
3. The UGLG executes the agreement by signing and attesting.
4. The UGLG returns one original copy to the Division (*can retain a copy for reference until the final fully executed agreement is sent*).
5. The original is then signed and approved by the Director of DWI.
6. A copy of the fully executed grant agreement is returned to the UGLG. The original is filed in the Division’s UGLG CDBG project file.

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In addition to acknowledging acceptance of the CDBG award, execution of the grant agreement serves at least two other purposes.

1. It acknowledges that the recipient accepts and will comply with all Federal requirements governing administration of the grant; and
2. It sets out the terms and conditions of the award that must be satisfied before funds will be released for certain activities. Costs for exempt project activities (administrative-related activities) can be incurred only **after\*** the date of the grant agreement. *\*Except for approved grant preparation expenses.*
3. Costs for project activities that are subject to specific contract conditions (e.g., bid and design, etc.) can be incurred only after execution of the agreement and removal of the conditions and release of funds.

## AUTHORIZED FINANCIAL SIGNATORY FORM AND CERTIFICATION

Each recipient must complete and submit a “Financial Signatory Form and Certification” to the Division to authorize individuals to sign the “Request for Funds (RFF) / Reimbursement Forms,” “Pay Request Checklist,” and invoices.

Two authorized signatures shall be required on all “Request for Funds (RFF) / Reimbursement Forms” and one authorized signature on invoices. The Division will check the signature on each

*Until a grantee receives their Release of Funds letter, only administrative costs associated with completion of the Environmental Information Document, Engineering Report, Compliance Plans and Policies, and related grant administrative tasks are eligible for reimbursement\*. All other expenses cannot be accrued or expended.*

submission to see that it matches the authorized signature(s) on the “Signatory Form and Certification”. Only the signatures of persons shown on the “Signatory Form and Certification” will be accepted.

To allow for flexibility in making requisition requests, it is recommended that four authorized signatures appear on the “Signatory Form and Certification”. Local governments may choose one of two options in completing the certification. If the local government chooses to use the first option, the chief elected official, or the chief finance officer must sign the form as the certifying official. In signing as the certifying official, the chief elected official or chief finance officer certifies that: 1) the signatures are authentic and 2) that the persons designated as signatories are authorized to sign requisitions for payment. If the chief elected official or the chief finance officer is the certifying official, that person may not also be an authorized signature. If the community wishes to have both the chief elected official and the chief finance officer sign requisitions for payment, the community should select the second option for certification. In this case, the governing board must pass a resolution authorizing sufficient persons to act as signatories. In addition, an individual who is not designated as a signatory must certify the authenticity of the authorized signatures. Anyone who knows all the persons authorized to sign requisitions may sign as the certifying official. Another local government staff person or member of the governing body is recommended.

If the recipient wishes to change the persons authorized to sign the requisition for funds form, a new “Financial Signatory Form and Certification” must be submitted to the Division.

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## BANK ACCOUNT AND VENDOR ELECTRONIC PAYMENT FORM

Recipients must have or open a separate checking account with Federal Deposit Insurance Corporation (FDIC) insurance coverage for their CDBG-I project. These grant funds cannot be intermingled with other funds. Once a bank account has been identified/opened, the “Vendor Electronic Payment Form” must be completed and submitted to the Division. This will authorize and allow NCDEQ to deposit requested grant funds for allowed approved expenses on the project.

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## REQUEST FOR FUNDS / DISBURSEMENT OF FUNDS (PAY REQUEST) FORM

The grantees decides the method of disbursement of funds for incurred costs (there are two methods) of all invoices and/or pay applications for labor and materials associated with the project. No matter which methods grantees use, requests for grant funds must be made at least monthly per the grant contract.

**The first method is called reimbursement.** Grantees using the reimbursement method will pay, as the work progresses, all invoices and/or pay applications, and agrees to submit to the NCDEQ all such receipts, affidavits, canceled checks, or other evidence of payment as may be requested from time to time, when and if requested by the NCDEQ, furnish adequate proof of payment of all indebtedness incurred in the development of the project. NCDEQ will review the submitted documents and will either request corrections or edits before approving the request for funds.

**The second method is called advancement.** Under the advancement methods, grantees will send copies of approved and

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signed invoices and / or pay applications with a completed requisition form to NCDEQ for review and approval. If no corrections or edits are needed, NCDEQ will approve and send the grantee the grant funds to pay the submitted outstanding invoices and/or pay applications.

Disbursement of grant funds for the project shall be made by no less than monthly reimbursement of grantee's expenditures on the project as set forth in the project budget. To obtain reimbursement, the grantees must submit to the CDBG-I Unit the following documentation:

1. A completed and signed (two signatures required) "Reimbursement Form" and the "Pay Request Checklist", as provided on the Division website, accompanied by appropriate itemized documentation supporting all expenses claimed and that clearly identifies each expenditure for which reimbursement is claimed. The [supporting backup documentation](#) must be organized in a manner that clearly relates the expenses shown in the supporting documentation to the line items shown on the reimbursement form. In addition, the grantee must sign off on each of the support documentation.
2. Any application for reimbursement that does not clearly identify each expenditure and relate each expenditure to the line items shown on the reimbursement form and is error free will not be processed and will be returned to the grantees for correction and re-submittal. **Grantees shall identify any sales tax for which reimbursement has been or will be obtained from the State Department of Revenue, and such monies shall not be reimbursed.**
3. NCDEQ may, upon request by a grantee, disburse grant funds prior to actual project payments by the grantees if costs are

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documented by unpaid third-party invoices. For NCDEQ to disburse grant funds to the grantees based upon unpaid third-party invoices, the grantees must indicate its review and approval of the unpaid third-party invoice in writing and certify to NCDEQ that the unpaid third-party invoice will be paid within three (3) working days of receipt of the disbursed grant funds. The grantees will confirm to NCDEQ that the required payment has been made within three banking days of receipt of funds.

### Three-Day Rule Policy

Written mechanisms must be developed and adopted to ensure compliance with the "Three-Day Rule." The "Three-Day Rule" means that funds requested must be expended within three working days after they are received. The time begins upon receipt of the funds. Thus, if a state deposited the funds on a Friday afternoon, checks should be written for the full amount of the deposit by the close of business the following Tuesday.

The easiest way to meet the "Three-Day Rule" requirements is to use grantee funds to pay CDBG invoices and then submit a Request for Reimbursement to NCDEQ to reimburse the grantee for these payments. A copy of the this policy can be found on the [Division website](#).

## BUDGET REVISIONS, BUDGET AND PROJECT AMENDMENTS AND TIME EXTENSIONS

The recipient's grant agreement/ contract serves as the contract between the Division and the local unit of government. As noted in the preamble to the grant agreement, the Letter of Intent to Fund, the approved application, program guidelines/regulations, and related documents are part of the grant agreement. Grantees must discuss any



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changes to the grant agreement and related documents with their Grant Representative. All approved changes must be in writing to the Division. The most common contract changes are addressed through one of the following four approaches:

- ✓ Budget Revision
- ✓ Budget Amendment
- ✓ Program/Project Amendment
- ✓ Time Extensions

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## BUDGET REVISION

A budget revision is required when a grantee wants to move funds between the existing budget line items, and the amount to be moved is less than 10% of the total grant amount. However, if multiple budget revisions total more than 10% of the total grant amount, a budget amendment is required.

The grantees submits a letter signed by the Authorized Representative (AR) to the CDBG-I Unit along with the completed “Project Budget Revision” form and updated “IDIS” form(s). The grantees must wait for approval from the CDBG-I Unit.

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## BUDGET AMENDMENT

A budget amendment is required when a grantee moves funds between the budget line items that are more than 10% of the total grant amount, adds a new activity, or deletes an activity. A budget amendment requires

a public hearing. The grantees must submit a budget amendment package to the CDBG-I Unit with:

- ✓ An original signed cover letter signed by the authorized representative explaining the changes,
- ✓ “Budget Revision” form,
- ✓ Publisher’s affidavit of public hearing and newspaper ad,
- ✓ Certified minutes of public hearing; and
- ✓ “Applicable Accomplishments and Beneficiaries” forms (IDIS, “Economic Need/National Objective” form”, “Project Source and Use of Funds” form, if changing the number of units served.

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*The Certifying Official’s Environmental Certification must be CURRENT to sign off on the Amended Environmental Review Records Form. If expired, delays will occur until it is brought to status.*

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The grantees must wait for a letter of approval from the Division before submitting requisition.

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## PROGRAM / PROJECT AMENDMENTS

The program / project amendment process is required when a grantee is making substantial changes to the approved application project description. A program / project amendment will require a public hearing. The grantees must submit a project amendment package to the CDBG-I Unit with:

- ✓ An original cover letter signed by the authorized representative explaining the requested changes,
- ✓ “Division Common Funding Application Project Description” (from the application for funding),

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- ✓ “Budget Revision” form, if applicable,
- ✓ Revised Project Map, if changed,
- ✓ Publisher’s affidavit of public hearing and newspaper ad,
- ✓ Certified minutes of public hearing,
- ✓ “Applicable Accomplishments and Beneficiaries” forms (IDIS, “Economic Need/National Objective” form, “Project Source and Use of Funds” form, if changing the number of units served,
- ✓ Amended Environmental Information Documentation and applicable form(s), if expanding the project area, and
- ✓ Amended Engineering Report or Plans and Specs and applicable forms, if applicable.
- ✓ Environmental Review Record / Environmental Information Document (ERR/EID) and Engineering Report (ER) Amendments, if applicable.

The grantees must wait for approval from the CDBG-I Unit.

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## TIME EXTENSIONS

Time extensions are a rarity. However, the Division will review extension requests based on a case-by-case basis to allow for extenuating circumstances. A grantee must send a letter to their Grant Representative outlining their time extension request (reason) with a modified milestone timeline indicating the tasks that will take place from grant award to grant completion. The extension letter must be signed by the CEO or AR.

Prior to issuing a time extension request, the Division will:

- ✓ Determine what type of extension the grantee is requesting and if the grantee has provided a description of the extenuating circumstances that support the extension request.
- ✓ Review the grantee's "Quarterly Progress Report", grant agreement milestones, grant budget and expenditures statements, and other grant related correspondence to determine the validity of the request.

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## REFUNDS, REVERSION OF UNEXPENDED FUNDS, AND REDUCTION OF THE GRANT

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### DEOBLIGATIONS OF UNUSED FUNDS / REFUNDS

A grantee shall repay to the Division any compensation it has received that exceeds the payment to which it is entitled, including any interest earned on funds reimbursed pursuant to the grant contract. The grantees shall repay to the Division administration funds in equal proportion to the program funds being repaid.

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### REVERSION OF UNEXPENDED FUNDS

Any unexpended grant monies shall revert to the CDBG-I upon termination of the grant contract. The grantees shall repay to the Division administration funds in proportion to the program funds being repaid.

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### REDUCTION OF THE GRANT

NCDEQ may reduce the grant amount if the grantees expects actual construction costs to be less than budgeted construction costs, as follows:

1. A grantee shall provide to NCDEQ a construction contract pricing document(s), consisting minimally of a statement of the scope of the construction work included in the pricing, a schedule of construction payment items, agreed-upon constructor or vendor pricing for each item, and a total anticipated construction cost based on the pricing.
2. A grantee shall deliver the construction contract pricing document to their CDBG-I Grant Representative within 30 days of executing a construction contract for the project.
3. The Division may, at its discretion, after comparing the total anticipated construction cost with the grant agreement project budget, choose to reduce the grant. If the grant is reduced, the CDBG-I Grant Representative will prepare an amendment to the grant agreement for this purpose, and the Division will approve requests for reimbursement of the grantee's construction costs only after the amendment has been signed by both the grantees and the Division. Grant administration funds shall be reduced in equal proportion to the project funds being reduced.

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#### REIMBURSEMENT TO DEQ FOR IMPROPER EXPENDITURES

A grantee will reimburse the Division for any amount of grant assistance improperly expended, either deliberately or non-deliberately, by any person or entity. Additionally, a contract for administrative

services should include a clause holding the administrator organization responsible for reimbursement to the recipient for any improperly expended grant funds that had to be returned to NCDEQ.

## AUDIT REQUIREMENTS

Grantees agree that the Division, other state and federal agencies have the right to audit the books and records of the grantees pertaining to the grant agreement both during performance and for five (5) years after the completion or termination of the grant agreement or until all audit exceptions, if any, have been resolved, whichever is longer.

Auditors should obtain the newest compliance supplement from LGC prior to starting their audit.

The grantees shall retain complete accounting records, including original invoices, payrolls, contracts, or other documents clearly showing the nature of all costs incurred under this grant contract, for that same period. The grantees agrees to make available at all reasonable times to the Division, and other state and federal agencies, all bid documents, and accurate books and records of all expenditures for costs applicable to the grant agreement which will facilitate the audit of the grantee's records.

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## AUDIT REPORTING

The Division must ensure that grantees meet applicable audit requirements outlined in 2 CFR 200 Subpart F. Note that a new procedure started with FY2023 grants.

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NOTES:

- Open Grants. All Grantees, with active open grants, are required to either complete and submit an Audit Certification Form (ACF), or a Single Audit Report (SA), depending on if the Grantees expends the federal audit threshold (2 CFR 200.501(a) or more during the entity's fiscal year in all federal funds (received directly from federal awarding agencies or indirectly from pass-through entities).
- Closed Pending Final Audit Grants. All Grantees with closed pending final audit status must file an SA or a Program-Specific Audit (PSA) with financial statements and schedule of expenditures of the CDBG grant, in accordance with the provisions of 2 CFR 200 Subpart F.

**Report Submission**

Required Audit documentation must be completed and submitted to the CDBG-I Unit within 30 calendar days after receipt of the auditor's reports(s), or 9 months after the end of the audit period. If the due date falls on a Saturday, Sunday, or Federal or State holiday, the reporting package is due the next business day. Reporting packages are submitted to the CDBG-I Unit, via the Online Supporting Documentation Submittal Form.

- The ACF must be submitted to the DEQ, CDBG-I Unit, no later than the last business day of November of each calendar year. Submitting an ACF to DEQ does not release the Grantees from preparing and submitting audits or other financial reports required by State law.
  - a. The ACF is completed for each Grantee. The Grantee name will be put at the top of the form.

NOTES:

- b. The form is reporting information for federal fund expenditures from ALL sources during the reporting fiscal year period. Each line will include project specific information, with the total expended from that project listed for the dollar amount. Note that this may include non-CDBG-I Grants.
  - c. The total of all expenditures will be calculated and reported. Using this total number and comparing it to the threshold listed will determine if a Single Audit is required. Check the appropriate box.
  - d. The Grantee's Authorized Representative must certify and sign the form.
  - e. The Grantee must submit one ACF and/or Single Audit for each active CDBG-I Grant, via the Online Documentation Submittal Portal.
- The SA or PSA must be submitted to the North Carolina Department of State Treasurer and Federal Audit Clearinghouse (FAC) no later than March 31<sup>st</sup> of each calendar year.
  - The Grantee's record of submission of a SA or PSA to the FAC (i.e., a copy of the FAC email confirmation of submission) must be submitted to the CDBG-Unit upon report submission, via the Online Supporting Documentation Submittal Form.
  - Any findings noted in that audit will be the responsibility of the Grantees.

**Sanctions**



Failure to submit the required audit reporting by the above-mentioned due dates, the Division will suspend the draw-down of grant funds for active open grants and suspend review and/or acceptance of applications until the grantees is current on their audit reporting requirements. See Grant Contract for additional information.

NOTES:

## CHAPTER 8 APPENDIX

### WEBSITE FINANCIAL REPORTS AND RESOURCES

The following financial documents are available on the [Division website](#), [under CDBG-I Financials](#). These are subject to change.

- ✓ CDBG-I Program Policy on Adoption of 2 CFR 200
- ✓ Signatory Form and Certification
- ✓ Vendor Electronic Payment Form
- ✓ Project Budget Revision
- ✓ Sales Tax Certification
- ✓ W-9 Form
- ✓ Three-Day Rule Violation Policy
- ✓ Backup Documentation for Eligible Costs
- ✓ Annual Debarment Certification
- ✓ CDBG-I Audit Certification Form-FY24
- ✓ CDBG-I Audit Certification Form-FY25 and Forward
- ✓ CDBG-I Disbursement of Funds Request Form
- ✓ CDBG-I Planning Grant Disbursement of Funds Request Form
- ✓ CDBG-I Disbursement of Funds Request Form Checklist

NOTES:

## CHAPTER 9: REPORTS, RECORDKEEPING, MONITORING, AND GRANT CLOSEOUT

NOTES:

This chapter provides a summary of the requirements and processes associated with reporting, technical assistance, and monitoring.

Monitoring is the process of reviewing grant performance and documentation to ensure compliance with all applicable federal requirements. This chapter will provide detailed information and forms associated with these important performance areas.

### REPORTS

The Division is required by Title I of the Housing and Community Development Act of 1974, as amended, and 24 CFR Part 570.492 of the State CDBG regulations, to conduct periodic reviews of its grantees.

To carry out this review, CDBG-I Unit Staff requires the submission of several quarterly, semi-annual, and annual reports.

Performance Report and Compliance Reports can be found on the Division website under [CDBG-I Reports](#).

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### QUARTERLY PROGRESS REPORTS (QPR)

The reports address program progress and beneficiaries. These reports are reviewed by CDBG-I Unit Grant Representatives to ensure that:

- ✓ Activities are being conducted in compliance with the approved application,
- ✓ Activities are progressing in a timely manner and in accordance with the project schedule,

NOTES:

- ✓ The CDBG national objective is being achieved and that beneficiaries of the grant activities are being served as approved in the application, and
- ✓ Technical assistance needs of the recipients and scheduling of on-site monitoring are being determined, as appropriate.

Grantees must submit a completed quarterly report at the beginning of the next quarter after the effective date of their grant agreement with the Division (contact CDBG-I Unit with questions). Quarters shall be defined as January-March, April-June, July-September, and October-December.

Since these reports act as an interim monitoring tool and represent the strongest measure of recipient accountability in the execution of grant activities, **CDBG-I grant contract administrator/grant representative s must receive these reports within 30 days after the end of the quarter.** However, it is strongly encouraged that grantees submit these reports as soon as possible after the end of the quarter while the information is fresh and to reduce confusion about quarterly progress.

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#### SEMI-ANNUAL LABOR STANDARD ENFORCEMENT REPORTS (SALSER)

It is a federal requirement that grantees provide information on Davis-Bacon applicable contract activities. This report (HUD Form 4710) is due every six months (March and September). Notification for these reports will be sent out by CDBG-I Unit Staff prior to them being due, or grantees can find the report form and instructions on our website under Compliance.

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## ANNUAL PERFORMANCE REPORTS (APR) & COMPLIANCE REPORTS

NOTES:

The regulations of 24 CFR Part §570.491 and §91.520 requires CDBG recipients to submit an APR for each grant active by the last business day in December each calendar year. An APR must be completed for each active grant, even if no CDBG funds were expended. Active grants are those that have not submitted their closeout documents to the Division by the last business day in December.

The APR targets accomplishments data that needs to be aggregated prior to the preparation of the required Consolidated Annual Performance and Evaluation Report (CAPER) for the submission by the North Carolina Department of Commerce to the HUD. The accomplishments data will be made available for public review with the submission of the CAPER.

With the submission of the APR, grantees must also report on M/WBE HUD Form 2516, Section 3, Section 504, the Language Access Plan (LAP), and the Fair Housing Annual compliance reports.

These reports are due prior to the last business day in January of each year. If the Division does not receive a grantee's APR and compliance reports, a grantee's funds will be frozen until received. In addition, failing to submit an APR, or submitting an APR late will remain in a grantee's records indefinitely and can impact future funding considerations. If funds are frozen, grantees are still required to conform to their grant agreement milestones.

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## FINAL REPORT

Grantees shall submit to the CDBG-I's contract administrator / grant representative a grant agreement final report in accordance with the schedule shown on Exhibit A of the grant contract. If the final report is not acceptable to DEQ, it shall be returned to the grantees for correction. Final payment will not be made until the final report is acceptable to DEQ. The grant agreement / contract final report shall parallel the scope and conditions of the grant agreements defined in Exhibit A. The report shall include:

1. A narrative statement evaluating and summarizing the completed project including a concise statement of the scope of work in Exhibit A, a detailed description of the objectives the grantees hoped to accomplish with the project, and comparison of the objectives with accomplishments.
2. A summary of changes made to the project scope of work (Exhibit A) and project budget (Exhibit B) and reasons for the changes.
3. Any other documents, reports or other evidence, including photographs, necessary to verify that the project has been concluded in compliance with this grant contract.
4. "Engineer's Certification of (Completion) Form".
5. A completed "Owner's Certification of (Completion) Form."

NOTES:

## RECORDKEEPING

An adequate recordkeeping and file system for the CDBG-I grant is essential to document both grantees fulfillment of applicable regulations and accomplishments of program

activities. Complete records are

necessary for the two major aspects of CDBG audit: financial soundness and program compliance. Without adequate records to support programmatic decisions, even the best performed program will receive an adverse audit. As noted earlier, all files and records must be kept at the recipient's business offices and must be available to the public during regular business hours, except for confidential files relating to personal financial and identifying information (direct beneficiaries, etc.)

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*Grant recipients are required to retain their CDBG records for a period of not less than five years after the close of the fiscal year of their grant. Grantee will be notified of when this happens.*

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NOTES:

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## RECORDKEEPING REQUIREMENTS

Grantees will maintain all records and comply with all responsibilities as required under CDBG recordkeeping (for example, 24 CFR 570.490 ("Recordkeeping Requirements"), 24 CFR § 570.506 ("Records to be maintained") and 24 CFR § 85.42 ("Retention and Access Requirements for Records") as may be modified by HUD as well as records to document compliance with CDBG requirements. Recipients agree to comply with any additional record-keeping requirements now or hereinafter set forth by DEQ, HUD or any other federal or state entity. There is a sample file system in appendix.

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## ACCESS TO RECORDS

The Grantees shall provide any duly authorized representative of NCDEQ, the State of North Carolina, the Federal Department of Housing and Urban Development (HUD), the Comptroller General, the Inspector General and other authorized parties at reasonable times all access to and the right to inspect, copy, monitor, and examine all the books, papers, records, and other documents relating to the grant for a period of five years following the completion of all closeout procedures. All original files shall be maintained at the local government offices for access purposes.

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## RELEASE OF PERSONAL FINANCIAL AND IDENTIFYING INFORMATION

To ensure and document compliance with CDBG income requirements as well as other matters the grantees shall obtain and retain personal, income-related, financial, tax and/or related information from companies, individuals and families that are benefitting from grant or program funds. Additionally, the grantees is obligated to provide access to all information relating to the program to NCDEQ, HUD or other appropriate federal or state monitoring entity, upon NCDEQ's request. This obligation includes, but is not limited to, the personal, financial, and identifying information of individuals assisted by the program. As such, the grantees shall obtain any releases or waivers from all individuals or entities necessary to ensure that this information can be properly and legally provided to appropriate federal and state entities, including DEQ and HUD, without issue or objection by the individual or entity.

NOTES:



## FILE MANAGEMENT CONSIDERATIONS

Each grantee is allowed to develop their own file management system. However, Appendix 9 has a sample recordkeeping and file structure recipients can use. It is only a guide and is not complete. Each project is different and may need additional documentation and files.

## MONITORING AND TECHNICAL ASSISTANCE

CDBG is required by statute to monitor its grantees. This requirement is outlined in Title I of the Housing and Community Development Act of 1974, as amended, and 24 CFR Part 570.492 of the State CDBG Regulations. Section 104 (e) of Title I outlines the review responsibilities of the State. The review responsibility requires that the State ensure three key areas comply:

- ✓ Approved activities are carried out in a timely manner,
- ✓ Activities and certifications are conducted in accordance with the requirements and the primary objectives of Title I and with other applicable laws, and
- ✓ Recipients show a continuing capacity to carry out approved activities in a timely manner.

Once a CDBG-I grant award is made, Unit staff will conduct a risk assessment to assist with determining the amount of monitoring and oversight a grant will receive during the grant duration.

During a CDBG project, CDBG-I Unit staff will monitor each recipient through periodic on-site visits and written reports, so that any problems that might occur may be resolved as soon as possible. It is the goal of the CDBG-I Unit to assist and support recipients in complying

with applicable Federal requirements and in implementing their project activities in a timely manner.

As discussed throughout this Manual, recipients are required to maintain complete financial and program files and to comply with program reporting requirements. Recipients must also provide citizens with reasonable access to these records pertaining to the past use of CDBG funds. Recipients must retain all CDBG records for at least three years after close-out of the HUD grant to the State. Grantees will be notified when this occurs. To carry out the CDBG-I Unit's responsibility under Title I, two or more monitoring and/or technical assistance visits for each grant will be made during the project period. The technical assistance and project monitoring visits have different purposes.

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## TECHNICAL ASSISTANCE

A technical assistance visit is informal in nature and may be conducted by any CDBG-I Unit Staff member.

Typically, a CDBG-I Unit staff member will meet with the project administrator, local official or designer involved in the grant. The intent of this meeting is to share information that will enable the recipient to comply with the various Federal requirements for their grant. Examples of technical assistance include:

- ✓ Explanations of project start-up requirements and assistance with the establishment of program files. The recipient must demonstrate compliance with applicable regulations and document compliance by maintaining accurate and complete records and files. The filing system must provide a historic account of the recipient's activities. The system should be easy to

use and centrally located. **(Note: Private consultants administering a grant for a local government should not keep original project files.)**

- ✓ Advice on technical requirements such as the environmental process, acquisition and/or relocation (if applicable), federal compliance components, etc.

Most problems encountered with a grant can be resolved early and need not show up later as "concerns" or "identified problems" in a monitoring letter. Therefore, the recipient should contact their Grants Representative when questions or problems arise. If a technical assistance visit is necessary, the Grants Representative will arrange a suitable time to visit.

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## START-UP VISIT

The start-up visit begins with an entrance conference with the project administrator and others the recipient feels should attend. It is expected that the chief elected official or chief administrator will attend this initial meeting, if possible. CDBG-I Unit Staff will briefly outline the purpose of the monitoring visit and the areas to be monitored, which are those items highlighted in the "Monitoring Summary" form. The monitoring visit will be conducted in accordance with the State's monitoring procedures and will last approximately one day. Complex programs, i.e., those containing housing rehabilitation or involving many acquisitions or relocation, may require additional time.

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*Grant recipients are encouraged to conduct their own desk reviews of their files to ensure compliance throughout their grant period*

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## INTERNAL (DESK/OFF-SITE) MONITORING

Desk reviews are an important component of basic CDBG program monitoring. They involve CDBG-I Unit Staff examining information and materials provided to the State by each grantee to track performance and identify potential problem areas.

Staff examines quarterly progress and annual reports, compliance reports, and financial information to adequately assess performance and look for indicators of performance or compliance concerns or problems. Based on these desk reviews, Staff can determine if additional technical assistance, additional information from a grantee is needed, or an on-site monitoring visit needs to be scheduled.

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## ON-SITE MONITORING VISITS

A monitoring visit is more formal than a technical assistance visit. The purpose of the monitoring visit is to determine if the grant is being conducted in compliance with applicable Federal laws and requirements. The review will also determine the recipient's ability to implement the program in a timely manner. The monitoring visit consists of a review of project files, records, and documentation as well as a visit to the project site.

Together, the grantee and CDBG-I Unit Staff will decide on a suitable date and time for the monitoring visit. The recipient will be notified, in writing, prior to the visit. Accompanying this notice will be the “CDBG-I Monitoring” forms or a link to them on the Division website, which will indicate the program areas to be reviewed during the visit. This monitoring notice letter will identify the program compliance areas under review. All or some of the areas may be monitored by the CDBG-I Unit

Staff. This form will enable the recipient to make a final review of project files prior to the visit.

The grantee should have all records, files, and documentation available for review at the monitoring visit. Where other public agencies, attorneys or consultants have assisted in program implementation, these records must be available for review at the locality during the monitoring visit. Failure to have records readily accessible will result in a program "finding/identified problem."

Even though the monitoring visit is a formal review of the grant, the CDBG-I Unit Staff is available to help the recipient carry out their project; therefore, the visit should not be viewed as intimidating. Also, technical assistance may be provided, as necessary, during the monitoring visit or after.

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## GRANT CLOSEOUT

DEQ will close out the CDBG subaward when it determines that the Subrecipient has completed all CDBG approved activities and/or expended all CDBG funds in conformance with program guidelines Subrecipient. The close-out process encompasses a series of activities that together verify that CDBG funds have been properly spent and that the recipient complied with all applicable rules and requirements in the implementation of its program.

Subrecipients will be expected to carry out the project as proposed in the application, stated in this grant contract (Exhibit A), or an approved program amendment(s). The activities should be completed, and the beneficiaries should be served prior to project close-out.

To achieve this, subrecipients may be expected to provide additional funds to meet the proposed accomplishments if actual accomplishments are significantly less than proposed. If there is a change of scope or project cost that would affect the proposed accomplishments or beneficiaries by ten percent or more, the requirements for a project amendment must be followed. Failure to carry out the project as proposed will be considered a performance concern in future application requests.

NOTES:

This procedure outlined below must be followed to close out CDBG grants from DEQ.

1. Resolution of all monitoring findings.
2. Completion of close-out public hearing and preparation of close-out report.
3. Submission of close-out reports.
4. Completion and submission of the final audit.

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#### GRANT CLOSE-OUT REPORT (GRANT CLOSE-OUT PACKAGE)

Grantees should notify the CDBG-I Unit when ready to begin the closeout process. Once CDBG-I Unit staff receives and processes the final “Requisition / Reimbursement of Funds”, the close-out process will begin. **All third-party invoices and expenses must be paid/expended by the time the closeout public hearing is held.**

Grantees must also conduct a closeout public hearing and submit the complete closeout packet. The complete packet must contain the following documents without white-out, strikeouts, or other noticeable corrections:

- ✓ All third-party invoices and expenses must be paid/expended by the time the closeout public hearing is held.
- ✓ Cover letter for documents submitted; describe anticipated program income or deobligated funds. Also include a statement in this cover letter stating all third-party invoices (primes and subs) are paid in full.
- ✓ If improvements were made to Mobile Home Parks (HMP), there must be a No Change of Use statement signed by MHP owner on

file, where no changes in use will occur for at least one year after completion of improvements.

- ✓ Engineer's Final Inspection Letter.
- ✓ DWI CDBG-I Project Closeout Checklist – completed, signed, and dated.
- ✓ Public Participation Documentation:
  - Copy of adopted minutes from the closeout public hearing or certification signed by Authorized Representative (AR).
  - Copy of closeout public hearing advertisement from newspaper.
  - Copy of affidavit of publication of the closeout public hearing advertisement or tear sheet.
- ✓ Closeout Package Reports:
  - Certificate of Completion, signed by AR.
  - Applicable Accomplishments and Beneficiaries Form(s).
  - Property Disposition Form.
  - Use of Non-ED Program Income Form.
- ✓ Grantee Section 3 Reporting Form.

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## CHAPTER 9 APPENDIX

NOTES:

Appendix 9 contains the following:

- ✓ Online Resources for Reports, Monitoring and Grant Closeout
- ✓ Sample Grant File Structure for Records

### ONLINE RESOURCES FOR REPORTS, MONITORING AND GRANT CLOSEOUT

The following report forms can be found on the Division website.

- ✓ [Quarterly Report](#)
- ✓ [Annual Performance Report](#)
- ✓ [Annual Debarment Certification](#)
- ✓ [Final Grant Report](#)

All the CDBG-I monitoring forms are online, and updated as needed, so grantees and their consultants can be prepared prior to a scheduled monitoring visit.

- ✓ [Monitoring Forms](#)

The CDBG-I closeout package, certificate of completion and the closeout public hearing checklist are available on the Division website.

- ✓ [Closeout Forms and Information](#)

### SAMPLE GRANT FILE STRUCTURES FOR RECORDS

The following is a file structure for administrating CDBG-I projects. However, each grantee can develop their own if they know where a document is located, and it is accessible in a timely manner upon request. The below structure is not all-inclusive, but rather an outline and identifies what type of documentation should be in each file.

Again, the community can decide what type of filing system they will use and are not required to use the one below.

#### General File

- ✓ Award Letter
- ✓ Intent to Fund Letter
- ✓ Fully Executed Grant agreement
- ✓ Release of Funding Conditions letter(s) with back up documentation
- ✓ Release of Funds letter and back up documentation (RROF)
- ✓ Extension Request letter(s), if applicable
- ✓ Compliance plans and policies approval letter(s)
- ✓ Excessive Force Provision

#### Civil Rights and Fair Housing File:

- ✓ NCDEQ approval letter
- ~~✓ Fair Housing Plan with supporting documentation~~
- ✓ Affirmatively Furthering Fair Housing Certification
- ~~✓ Documentation of actions taken to further Fair Housing for each quarter~~
- ✓ Equal Opportunity Plan
- ✓ Section 3 Plan
- ✓ Total indirect beneficiaries, including breakdown of LMI, female heads of household, Hispanic, and minorities (Black, Asian, Native Hawaiian/Pacific Islander, Native American, etc.)
- ✓ Total direct beneficiaries, including breakdown of LMI, female heads of household, Hispanic, and minorities, if applicable
- ✓ Total direct beneficiary applicants, including breakdown of female heads of household and minorities (for new hookup/connection projects)

NOTES:

NOTES:

- ✓ Evidence that equal opportunity guidelines were followed for persons hired specifically for the CDBG project
- ✓ Section 3 documentation
- ✓ All equal opportunity / civil rights complaints and grantee's response to these complaints

Citizen Participation File:

- ✓ NCDEQ approval letter
- ✓ Copy of Citizen Participation Plan
- ✓ Language Access Plan
- ✓ Section 504 Self-Evaluation and Adopted Grievance Procedure.
- ✓ Affidavit of publication for the public hearing held to review grant performance
- ✓ Minutes of performance review public hearing
- ✓ All criticisms, complaints, and grantee's responses to these criticisms and complaints

Procurement and Contract Management File(s):

- ✓ NCDEQ approval letter
- ✓ Copy of adopted procurement plan and policy
- ✓ Copy of conflict of interest policies
- ✓ Copies of the inter-governmental agreement, if applicable
- ✓ Evidence that grantee maintains a listing of all MBE, WBE, and Section 3 firms
- ✓ Copies of grantee/sub grantee agreement, if applicable
- ✓ Approval from Division if less than three bids are received for any contract
- ✓ Evidence that the following certifications and executive orders are in all project contracts (Section 504, Section 109, Age Discrimination Act, Executive Order 11063, Executive Order

11246 (contracts exceeding \$10,000), Section 3 (contracts exceeding \$100,000), and Affirmative Action Plan

NOTES:

Administration Contract File:

- ✓ Copy of the Request for Proposals (RFP) identifying all evaluation factors (see sample Administration RFP) (Note: Cost must be a factor)
- ✓ Copy of affidavit of publication of notice
- ✓ Evidence of direct solicitation, including MBE and WBE firms and Section 3 firms
- ✓ Evidence of the selection criteria for award, including minutes of the meeting
- ✓ Copies of all submitted/received proposal packages
- ✓ Documentation that all unsuccessful bidders were notified in writing
- ✓ Executed administration contract as well as all proposals received
- ✓ All correspondence regarding administration procurement
- ✓ Documentation of eligibility / debarment
- ✓ If applicable, letter requesting sole source and NCDEQ approval letter for sole source

Engineering Contract File:

- ✓ Copy of the Request for Qualifications (RFQ) identifying all evaluation factors (see sample Engineering RFQ) (Note: Cost cannot be a factor)
- ✓ Copy of affidavit of publication of notice
- ✓ Evidence of direct solicitation solicited, including MBE and WBE firms, Section 3 firms

NOTES:

- ✓ Evidence of the selection criteria for award, including minutes of the meeting
- ✓ Documentation that all unsuccessful bidders were notified in writing
- ✓ Executed engineering contract as well as all qualification submissions received
- ✓ All correspondence regarding engineering procurement
- ✓ Documentation of eligibility / debarment
- ✓ If applicable, letter requesting sole source and NCDEQ approval letter for sole source

Construction Contract File:

- ✓ Plans and Specifications Package
  - Letter of approval for bid and spec package
- ✓ BABA Documentation
- ✓ Pre-Bid Meeting
  - Documentation of notice of meeting
  - Agenda and minutes of pre-bid meeting
  - Sign-in sheet of meeting participants
- ✓ Construction Procurement and Award
  - Documentation that items to be bid are clear and without reference to specific brand requirements
    - Affidavit of publication for bids in a general circulation newspaper (newspaper of widest circulation in the region)
    - Evidence of direct solicitation and posting to other required sites
  - Executed construction contract and bid specifications
  - If applicable, bid negotiation documentation

NOTES:

- Bid, performance, and payment bond requirements
- Evidence that bids contain language relating to labor provisions, bonding, and equal employment opportunity
- Contractor certification of eligibility forms
- Subcontractor certification of eligibility forms, if applicable
- Correct wage rates / wage determination, and any conformed additional wage classifications
- Contractor debarment check and subcontractors, if applicable
- Documentation of the public meeting held to open bids
  - Minutes of bid opening with bid tabulations
  - Log of bid packages / recipients and bidders
- Documentation of local government body approving lower bidder contract award
- Notice of award
- If applicable, letter requesting sole source and NCDEQ approval letter for sole source
- ✓ Pre-Construction Meeting
  - Meeting notice and agenda
  - Sign-in sheet of meeting participants
- ✓ Copy of Start of Construction Card
- ✓ Notice of contractor to proceed with work
- ✓ Report of additional classifications and wage rates, if applicable
  - Report of additional classifications (HUD 4230a)
  - Additional classifications and wage rate approval documentation
- ✓ Change orders
- ✓ Correspondence related to change orders

NOTES:

Small Purchase Contracts, if applicable:

- ✓ Listing of all vendors solicited, including M/WBE, veteran, and Section 3 firms with price quotations
- ✓ Copy of specifications provided to vendors, whether goods or services
- ✓ Executed agreement
- ✓ Required documentation per Procurement Policy

Labor Standards File(s):

- ✓ Wage Determination
- ✓ Public advertisements and documentation of bid notice solicitation
- ✓ Pre-bid meeting documentation (i.e., correspondence, reports/minutes, etc.)
- ✓ Documentation that wage determination was verified within 10 days of opening bids
- ✓ Documentation of request for classification conformance(s), if applicable
- ✓ Pre-construction report/minutes
- ✓ Documentation that the contractor eligibility was verified (disbarment check)
- ✓ Certification of Eligibility and associated documentation - for contractor and subcontractors
- ✓ HUD 2516 Form – Contract and Subcontract Activity
- ✓ Start of Construction Card
- ✓ Semi-Annual Labor Standards Reports
- ✓ Related correspondence
- ✓ Separate payroll file for each contractor and subcontractor



NOTES:

- All project payrolls complete with names, four-digit identification number, work
- classifications, hourly rates, etc.
- Statement of compliance for each payroll
- Documentation of fringes per hour for each classification, if applicable
- Apprentice documentation, if applicable
- Weekly payroll review documentation
- Employee interviews to cover a representative number of trades throughout the project
- Documentation of any wage restitution, if applicable

Property Management / Acquisition File:

- ✓ List of all personal property purchased with CDBG funds, if applicable
- ✓ Complete register of all property acquired, if applicable
- ✓ Separate file for each property acquisition
  - Preliminary acquisition notice to acquire, including invitation to accompany appraiser
  - Documentation that all landowners were provided with the brochure “When A Public Agency Acquires Your Property” (Return Receipt or signed statement)
- ✓ Donations
  - Waiver of rights to just compensation and release of grantee’s obligation to an appraisal
  - If not waived, copy of appraisal or determination of value data
  - All required title documentation including deed, recording evidence, etc.

NOTES:

✓ Voluntary Acquisition

- Evidence of advertisement or invitation of property solicitation, including non-specific site and option to not acquire if negotiations fail

✓ Standard Acquisition

- Appraisal and review appraisal
- If not appraised, documentation that property valued at less than \$10,000
- Written offer to purchase, including statement for determining offer (Return Receipt)
- Evidence of clear title, survey, deed, and legal description
- Proof of payment
- Recorded deed
- Written notice not to acquire, if applicable (Return Receipt)
- Rental agreement and short term lease, if applicable
- Evidence that the grantee has adopted appeal procedures
- Evidence the property owner was informed of his right to appeal and judicial review (Return Receipt)
- Evidence of grantee's written determination of appeal (Return Receipt)

Relocation File:

- ✓ Residential Anti-Displacement & Relocation Assistance Plan
- ✓ Separate file for each relocation
  - Notice of eligibility for relocation assistance (Return Receipt)
  - Evidence the tenant was provided with the applicable HUD brochure (Return Receipt)

NOTES:

- Evidence of the “90-day Advance Notice to Move” (Return Receipt)
- Claim forms (e.g., tenant assistance or down payment assistance, replacement housing payment, moving and related expenses, etc.)
- Evidence of donation if the owner donates property in lieu of relocation payment
- Documentation of payment (relocation and moving expense)
- “Selection of Most Representative Comparable Replacement Dwelling” form
- Evidence that the selected replacement unit was inspected and determined to meet DSS standards
- Documentation that the unit is infeasible to rehab, and no comparable unit exists in the grantee’s jurisdiction, if applicable
- Evidence that displaced persons were notified of relocation assistance under 104(d), if applicable
- Evidence that the grantee has adopted appeals procedures
- Evidence of informing individual of his right to an appeal and judicial review (Return Receipt)
- “Notice of Denial of Relocation Assistance Claim”, if applicable
- Evidence of grantee’s written determination of appeal (Return Receipt)
- Evidence of state’s written determination of appeal (Return Receipt)

Reporting File:

- ✓ Copies of all APRs
- ✓ Copies of all QRPs
- ✓ Copies of all annual certifications
- ✓ Copy of Final Report and related documentation
- ✓ Copy of Closeout Report and related documentation

NOTES:

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## CHAPTER 10 – PROGRAM POLICIES AND OTHER GUIDANCE DOCUMENTS

NOTES:

In addition to this Manual, the CDBG-I program has many policies and additional guidance and supplementation information documents. These documents can be found on the Division website. If one of these documents needs to be updated or amended, they will be updated and placed on the website.

- ✓ [Procurement Policy](#)
- ✓ [Three-Day Rule Violation Policy](#)
- ✓ [BABA Guidance](#)
- ✓ [Supplemental Information for New Section 3](#)
- ✓ [Adoption of 2 CFR 200 Uniform Administrative](#)
- ✓ [Environmental Review Guidance](#)
- ✓ [Backup Documentation for Eligible Costs](#)