

Community Development Block Grant Policies and Procedures Manual

City of Woonsocket
Department of Planning and Development

169 Main Street
Woonsocket, RI

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Introduction

The City of Woonsocket receives a yearly allocation of Community Development Block Grant (CDBG) funds as an entitlement community from the U.S. Department of Housing and Urban Development (HUD). To continue participation in this program, the City contractually agrees with HUD to implement the Housing and Community Development Act of 1974, associated federal regulations described in Title 24, Part 570 – Community Development Block Grants, and related administrative requirements described in Title 2, Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

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

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

It is a supplement to applicable regulations, standards, and policies that are applicable to CDBG-funded agencies, programs, and projects. In instances of any divergence between this manual and federal regulations, federal regulations will stand.

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

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

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

The approval of the City’s Department of Planning and Development must be obtained for any deviation from the minimum requirements contained in this manual that may be necessitated by the organizational

structure, staffing level, or other limitations of a particular Agency. Any proposed deviations shall be considered by the Department of Planning and Development upon receipt of a written request submitted by the Agency that includes a completed Agreement/Operating Manual Exemption Request Form.

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

Welcome to CDBG

➤ *Purpose of Manual*

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

➤ *Updates*

When HUD makes policy changes, this document will be updated. When income limits are updated, this document will be updated to reflect those new income limits.

➤ *CDBG Program Overview*

The CDBG Program is authorized under Title I of the Housing and Community Development Act of 1974, as amended (HCDA), codified at 42 U.S.C. §5301 et seq. The primary objective of the CDBG Program is to develop viable urban communities by providing the following, principally to persons of low and moderate income:

- Decent Housing
- A Suitable Living Environment
- Expanded Economic Opportunities

Every CDBG funded agency, program, project, and initiative must be an Eligible Activity, and must meet a National Objective. The CDBG statute and regulations set forth Eligible Activities and the National Objectives that must meet. Every recipient of CDBG funds must ensure that these requirements are met.

National Objectives for the program are as follows:

- Benefit Low- and Moderate-Income Persons
- Prevent or Eliminate Slums or Blight
- Urgent Need: Activities that have a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community

The United States Department of Housing and Urban Development (HUD) administers the CDBG program. The regulations created by the Office of the Assistant Secretary of Community Planning and Development that pertain to Community Development Block Grants are contained within 24 CFR Part 570: <https://www.ecfr.gov/cgi-bin/text-idx?rgn=div5;node=24:3.1.1.3.4>.

➤ *Successful Implementation of a CDBG Grant*

Agencies which receive a CDBG grant must be prepared and able to implement and carry out their funded program immediately after the award and complete program performance within a specified time frame – generally within one year except for certain housing-related activities. All tasks undertaken with CDBG funds must be in compliance with the CDBG contract, federal regulations, and all guidelines listed in this document. Lastly, all CDBG grants must fulfill the national objective and performance objectives outlined in their funding application and contract.

Prior to contract execution, all sub-recipients must submit to our office for approval:

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

Additionally, all sub-recipients must attend each of the following:

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

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

➤ *Written Agreement with City*

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

➤ *Limitation of Expenditures*

The Sub-recipient shall not expend funds provided under the contract prior to the commencement of the contract or subsequent to the suspension or termination of the contract.

Expenditures shall be made in conformance with the approved budget and shall meet the criteria established for allowable costs.

Expenditures shall be in direct support of the program that is the subject of the contract.

The sub-recipient shall notify the City in writing of any expenditure for items jointly used for any other program(s) and the expenditures shall be apportioned according to the percentage of direct use in the program.

➤ ***Contracting & Project Implementation Timeline***

Timeframe	Successful Implementation of a CDBG Grant	Responsible Party
Late October	Public notice regarding NOFA for HUD programs. The NOFA is posted on City’s website and is advertised in the local newspaper.	City
November	A public hearing will be scheduled in mid-November to discuss funding availability and priorities of the city. Public notice is posted on Secretary of State’s website and advertised in the local paper.	City
January	Annual Action Plan Meeting / Caper Review Meeting date	City
February	Applications for funding available first week of February	City
February	Applications due at the end of February City will set date	City
March	Second week in March public hearings on applications	City
March-April	City will review applications and request meetings if needed	City
April	Ad in local newspaper announcing funding decisions	City
April	City Council resolution to submit application to HUD	City
May	City submits one year action plan to HUD for approval	City
Before Contract Signing	City Staff Conduct an Environmental Review of all Projects	City
Before Contract Signing	City Staff Conduct an inspection (for all projects that include construction)	City
Whenever Documents are Complete	Subrecipients and the City sign Contract Agreement	Subrecipients/City
Prior to Bid	Sub-recipients shall submit construction bids to City Staff for Review	Sub-recipients
Throughout Project	City Staff Conduct onsite monitoring visits	Sub-recipients/City
Quarterly, 15 th of the Month	Sub-recipients submit quarterly beneficiary reports to the City	Sub-recipients
Throughout Project	Sub-recipients submit regular requisitions for re-imburement to the City	Sub-recipients

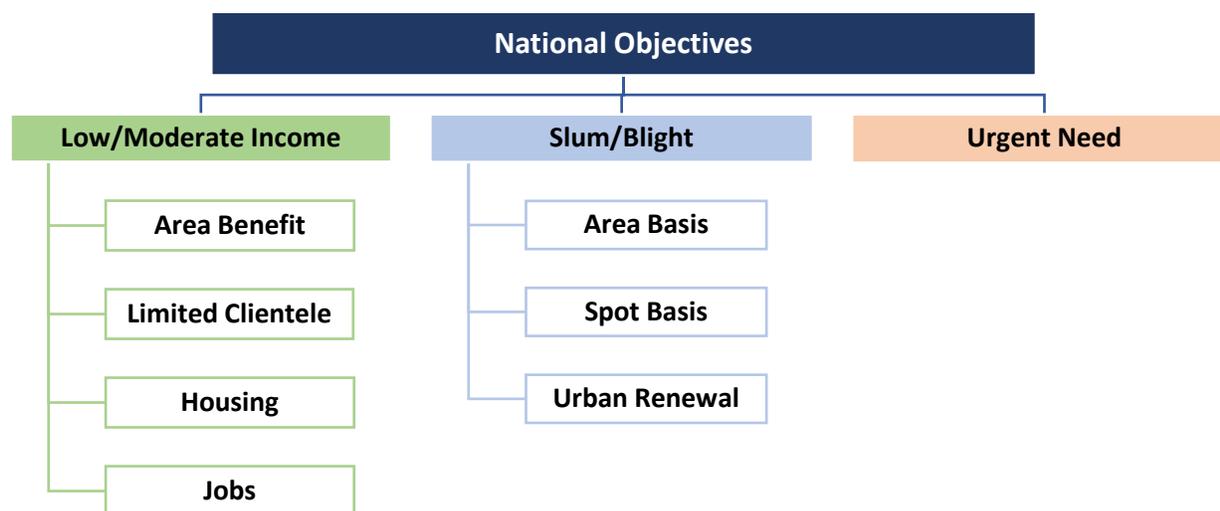
At Close of Project	Sub-recipients submit final requisitions for re-imbursement to the City	Sub-recipients
At Close of Project	City Staff Conduct an Inspection to Verify Completion of Work (Construction Projects)	City
At Close of Project	Sub-recipients submit Closeout Report to the City	Sub-recipients

CDBG National Objectives

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

- Benefit to low- and moderate-income persons and/or households
- Prevention and/or elimination of slum and blight
- Addressing urgent community development needs

An activity that does not meet a National Objective is not compliant with CDBG requirements and may be subject to remedial actions, including repayment of funds. The following exhibit depicts the different categories associated with each of the National Objectives.



It is possible for an activity to qualify under more than one National Objective, although only one National Objective may be selected for an activity. Additionally, activities can qualify under more than one category.

➤ *Benefit to Low and Moderate Income Persons or Households*

The LMI National Objective is often referred to as the “primary” National Objective because the statute requires that recipients expend no less than 70 percent of their CDBG funds to benefit LMI persons. In

In addition to meeting the 70 percent test, agencies must ensure that the activities proposed, when taken as a whole, will not benefit moderate-income persons to the exclusion of low-income persons. This does not mean that each activity has to include both low- and moderate-income beneficiaries, but it further ensures that the CDBG program will primarily benefit low-income persons.

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

Effective April 1, 2022		Household Size							
FY 2022 Income Limits		1	2	3	4	5	6	7	8
Very Low	30% AMI	\$20,300	\$23,200	\$26,100	\$29,000	\$32,470	\$37,190	\$41,910	\$46,630
Low Income	50% AMI	\$33,850	\$38,700	\$43,550	\$48,350	\$52,250	\$56,100	\$60,000	\$63,850
Moderate	80% AMI	\$54,150	\$61,900	\$69,650	\$77,350	\$83,550	\$89,750	\$95,950	\$102,150

(Note: Income Limits are updated annually, typically in April for the following July-June Fiscal Year. Sub-recipients are responsible for ensuring they are using the most current income limit. Income limits are available here: <https://www.huduser.gov/portal/datasets/il.html>).

AREA BENEFIT

The area benefit category is the most commonly used National Objective for activities that benefit a **residential neighborhood or geographic area** that is primarily low-to-moderate income (LMI). An area benefit activity is one that benefits all residents in a particular area, where at least 51 percent of the residents are LMI persons. Examples of area benefit activities may include the following when they are located in a predominately LMI neighborhood:

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

The service area of the activity is required in order to determine whether or not the area includes a sufficient percentage of LMI persons. The factors that should be considered in making a determination regarding the service area include:

- The nature of the activity
- The location of the activity
- Accessibility issues
- The availability of comparable activities
- Boundaries for facilities and public services

If the service area has not already been identified for an activity, the agency must determine the service area before CDBG assistance can be provided under the LMI Area Benefit category. An area is

considered to meet the test of being LMI if there is a sufficiently large percentage (at least 51 percent) of LMI persons residing in the service area.

The following records will demonstrate compliance under this national objective category:

- Boundaries of service area;
- Percentage of LMI persons that reside in the service area; and
- The data used for determining percentage of LMI persons.

LIMITED CLIENTELE BENEFIT

Activities in this category provide benefits to a specific group of persons rather than everyone in a particular area. It may benefit specific persons without regard to their residence, or it may be an activity that provides a benefit to a specific category of persons within a specific area. Under this category, 51 percent of the beneficiaries of an activity have to be Low to Moderate Income persons.

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

To qualify under this subcategory, a limited clientele activity must meet one of the following tests:

- **Exclusively** benefit a clientele who are generally presumed to be principally LMI persons. These include:
 - Abused children
 - Elderly persons
 - Victims of domestic violence
 - Homeless persons
 - Severely disabled persons
 - Illiterate adults
 - Persons living with HIV/AIDS
 - Migrant farm workers
- Require documentation on family size and income in order to show that at least 51 percent of the clientele are LMI.
- Have income eligibility requirements limiting the activity to LMI persons only.
- Be of such a nature and in such a location that it can be concluded that clients are primarily LMI (i.e., a day care center designed to serve residents of a public housing complex).

One of the following five types of records must be kept to demonstrate compliance under this national objective category:

1. Documentation showing that the activity is designed for exclusive use by a segment of the population presumed by HUD to be LMI persons; or
2. Documentation describing how the nature and the location of the activity establishes that it will be used predominantly by LMI persons; or
3. Data showing the family size and annual income of each person receiving the benefit; or

4. Data showing that barriers to mobility or accessibility have been removed and how the barrier removal was restricted to the extent feasible to one of the particular cases authorized under this category; or
5. Documentation showing that the activity qualifies under the special conditions regarding job services where less than 51 percent of the persons benefiting are LMI persons.

HOUSING BENEFIT

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

- Acquisition of an apartment house to provide dwelling units to LMI households at affordable rents, where at least 51 percent of the units will be occupied by LMI households.
- 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 owner-occupied or rental units.
- Conversion of an abandoned warehouse to be reconfigured into new apartments, where at least 51 percent of the units will be occupied by LMI households at affordable rents.

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

The following records must be maintained to demonstrate compliance under this national objective category:

- A written agreement with each landlord or developer receiving CDBG assistance. The agreement must specify:
 - The total number of dwelling units in each multi-unit structure, 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
- The household size and income eligibility for each of the LMI households occupying assisted units
- For rental housing
 - The rent charged (or to be charged) after assistance for each dwelling unit in each assisted structure; and
 - Documentation of compliance with the locally established standards for housing that is “affordable to LMI households”.
- When assisting structures with less than 51 percent LMI occupants, documentation of qualification under the special conditions:
 - Number of units to be occupied by LMI households at an affordable rent;
 - Total development cost of new construction; and

- Amount of CDBG funds expended for activity.
- When aggregating scattered sites, documentation of the basis for aggregating scattered sites and considering them as a single structure.
- When assisting with the delivery costs of HOME assisted projects and assistance, evidence that housing projects and/or tenant based rental assistance achieves HOME income targeting requirements.

While compliance with the housing national objective is based on the initial occupancy of the housing following completion of the CDBG-assisted activity, grantees are urged to establish their own requirements for replacing such households with other LMI households whenever the assisted unit becomes vacant within a period of time following completion that is commensurate with the amount of CDBG financial assistance that was provided to the developer (i.e., deed restrictions).

Another consideration when documenting compliance is that occupancy of the unit may not be for some time after the completion of the activity. For example, there may be a time lag between the acquisition or land clearing activity subsidized by CDBG funds and the development of the housing units. It is not sufficient to document the intention to comply. The agency is responsible for documenting that the housing units are constructed and that the appropriate number of units are initially occupied by LMI households.

JOB CREATION AND/OR RETENTION BENEFIT

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

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

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

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

As a general rule, each assisted business shall be considered to be a separate activity for purposes of determining whether the activity qualifies under the job creation and retention category for meeting a national objective. However, in certain cases, such as where CDBG funds are used to acquire, develop or improve a real property (e.g., a business incubator or an industrial park), the requirement may be met by measuring jobs in the aggregate for all the businesses that locate on the property, provided such businesses are not otherwise assisted by CDBG funds. Additionally, where CDBG funds are used to pay for the staff and overhead costs of an entity making loans to businesses from non-CDBG funds, this requirement may be met by aggregating the jobs created by all of the businesses receiving loans during any program year.

Record keeping requirements in this category are very onerous and relate to both the status of the business, the jobs created or retained, and the LMI persons benefiting from the activity. The following is an outline of the documents that have to be maintained by agencies to demonstrate compliance under this national objective category:

- Written agreement with the business in which the following is specified:
 - A commitment from the assisted business to hire or retain LMI persons; A list by job title of jobs to be created and/or retained and which will be full- or part-time; and
 - The actions that the business will take to ensure that at least 51 percent of the new hires or retained staff will be LMI persons, including providing training for any jobs requiring special skills or education.
- Compliance with the written agreement must be documented as follows:
 - A list of jobs that were actually created and/or retained;
 - Whether each such job was held by or made available to a LMI person, and
 - The full-time equivalency status of the jobs.
- For created jobs that will be held by LMI persons, the records must demonstrate:
 - Listing by job title of the jobs created and which were initially held by LMI persons;
 - Listing by job title of the jobs filled;
 - The family size and income of the person who filled each position; and
 - The full-time equivalency status of the jobs.
- For created jobs that will be made available to LMI persons but are not taken by LMI persons:
 - The title and description of the jobs made available;
 - The full-time equivalency status of the jobs;
 - The prerequisites for the job; special skills or education required for the job, if any; and the business' commitment to provide needed training for such jobs; and
 - How first consideration was given to LMI persons. This can include:
 - The name(s) of person(s) interviewed for the job and the date of the interview(s), and
 - The family size and income of the person(s) interviewed.
- For retained jobs that would otherwise be lost:
 - Specific evidence that the jobs would be lost without the CDBG assistance.
 - If the retained job is held by a LMI person:
 - A listing by job title of permanent jobs retained;
 - The jobs that are known to be held by LMI persons at the time of assistance;
 - The full time equivalency status of each job; and

- Family size and annual income of each LMI person.
- For retained jobs that are projected to turnover to LMI persons:
 - A listing of the retained jobs that are projected to become available within two years of assistance;
 - The basis of the determination that the job is likely to turnover within two years of assistance;
 - The actual turnover date;
 - The name and income status of the person who filled the vacancy;
 - If the person who took the job was not a LMI person, records to demonstrate that the job was made available to LMI persons:
 - The name(s) of person(s) interviewed for the job and the date of the interview(s) and
 - The income status of the person(s) interviewed
 - Information on the family size and annual income of each LMI person hired.

There are five options for documenting the LMI status of an applicant or employee:

1. Referrals from an agency that has agreed to refer individuals who are determined to be LMI based on HUD's category. These agencies must maintain records, which must be available to the grantee or federal inspection, showing the basis upon which they determined that the person was LMI; or
2. A written self certification by the employee or applicant of his/her family size and total income that is signed and dated. Certification can either include actual size and income of family or can contain a statement that the annual family income is below the Section 8 low-income limit for the applicable family size; or
3. Qualification of employee or application for assistance under another program with income qualification that are as restrictive as those used by the CDBG program. Examples include referrals from Public Housing, Welfare Agency, or the Workforce Investment Area (WIA), with the exception of the WIA Title III program for dislocated workers; or
4. Evidence that the individual is homeless; or
5. Evidence that the individual may be presumed to be LMI by way of residence address and poverty rates of applicable census tract

The grantee can use any combination of documenting income status for the persons benefiting from a job creation or retention activity.

When documenting income, the income status of an individual is made at the time the CDBG assistance is provided. This may have an affect on the retention of high-paying unskilled jobs counting as eligible except for turnover purposes. This is because a person who occupies a high-paying but low-skilled job may not qualify as a LMI person. Whereas a LMI person may fill the job at a lower pay rate if it were created or if it became available through turnover.

➤ *Elimination of Slums and Blight*

The focus of activities under this national objective is a change in the physical environment of a deteriorating area. This contrasts with the LMI benefit national objective where the goal is to ensure that funded activities benefit LMI persons.

This difference in focus has an impact on the information that is required to assess the qualifications of an activity. Under the LMI benefit national objective, determining the number of LMI persons that actually or could potentially benefit from an activity is central to qualifying the activity. Under the elimination of slums and blight national objective, determining the extent of and physical conditions that contribute to blight is central to qualifying an activity.

SLUM BLIGHT AREA BASIS

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

- The designated area in which the activity occurs must meet the definition of a slum, blighted, deteriorated or deteriorating area under state or local law (the relevant state law is found Title 45, Chapter 31 of Rhode Island General Laws: <http://webserver.rilin.state.ri.us/Statutes/TITLE45/45-31/INDEX.HTM>).
- Additionally, the area must meet either one of the two conditions specified below:
 - Public improvements throughout the area are in a general state of deterioration; or
 - At least 25 percent of the properties throughout the area exhibit one or more of the following:
 - Physical deterioration of buildings/improvements;
 - Abandonment of properties;
 - Chronic high occupancy turnover rates or chronic high vacancy rates in commercial or industrial buildings;
 - Significant declines in property values or abnormally low property values relative to other areas in the community; or
 - Known or suspected environmental contamination.

Documentation must be maintained by the grantee on the boundaries of the area and the conditions that qualified the area at the time of its designation. The designation of an area as slum or blighted must be re-determined every 10 years for continued qualifications.

Eligible activities must address the identified conditions that contributed to the slum and blight.

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

The following documents have to be maintained by agencies to demonstrate compliance under this national objective category:

- Area designated (i.e., boundaries) and date of designation
- Documentation and description of blighted conditions that meet the criteria identified at 570.208(b)(1)(ii)(A) or (B) (e.g., photographs, structural surveys, or development plans)
- For residential rehabilitation:
 - Local definition of substandard,
 - Pre-rehabilitation inspection report qualifying the building as substandard and work plan describing deficiencies,
 - Scope of work performed, by structure, with documentation that substandard elements were addressed first; and
 - Evidence that the activities undertaken address one or more of the conditions that contributed to the deterioration of the area.

SLUM BLIGHT SPOT BASIS

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

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

The following documents have to be maintained by agencies to demonstrate compliance under this national objective category:

- Description of condition addressed by activity,
- Documentation of eligibility of activity under this category, and
- For rehabilitation, a description, by structure, of specific conditions detrimental to public health and safety identified and those addressed by the rehabilitation.

URBAN RENEWAL

These are activities located within an Urban Renewal project area or Neighborhood Development Program (NDP) action area that are necessary to complete an Urban Renewal Plan.

A copy of the Urban Renewal Plan in effect at the time the CDBG activity is carried out, including maps and supporting documentation, must be maintained for record keeping purposes.

This national objective category is rarely used as there are only a handful of communities with open Urban Renewal Plans.

Records must contain:

- A copy of the Urban Renewal Plan, and
- Documentation that activity was required to meet the goals outlined in the renewal plan.

➤ **Urgent Need**

Use of the urgent need national objective category is rare and is unlikely to be conducted by a sub-recipient agency. It is designed only for activities that alleviate emergency conditions. Urgent need qualified activities must meet the following criteria:

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

Examples include:

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

Files should include:

- Documentation of urgency of need and timing and that the activity was designed to address the urgent need.
- Evidence the recipient certified that the CDBG activity was designed to address the urgent need.
- Evidence confirming that other financial resources were unavailable and CDBG had to be used

➤ **Determining Income**

Every sub-recipient must serve persons of low and moderate income. Low-income is defined as a household that does not exceed 50 percent of HUD Section 8 Rental Income Limits. Moderate-income is defined as a household that has an income that does not exceed 80 percent of Section 8 Rental Income Limits (AKA Area Median Income). These income limits are detailed at the beginning of this section.

National Objective	Income Documentation Tool	Minimum LMI	Period
Area Benefit	Description of Service Area with: <ul style="list-style-type: none"> • Map with Boundaries • Documentation that Area is primarily residential • Documentation of Income Characteristics (Census Block Area or Survey) 	51%	At Project Conception

Limited Clientele Benefit	Income Documentation for each individual served: <ul style="list-style-type: none"> • Self Declaration of Income • 3rd Party Verification (required if financial assistance is distributed) 	51%	At Intake
Housing Benefit	Income Documentation for each household served: <ul style="list-style-type: none"> • 3rd Party Verification 	At least 51% (or 1 unit in 2 unit structure)	6 months before occupancy of unit(s)
Job Creation or Retention	Income Documentation for each individual served: <ul style="list-style-type: none"> • Self Declaration of Income • 3rd Party Verification (required if financial assistance is distributed) 	At least 1 job per \$35,000	At hiring (if new hire) At project completion (if retaining job)

Eligible Activities

CDBG offers a high level of flexibility in eligible program activities. Most activities that benefit low- and moderate-income individuals and meet the needs of the community are eligible. However, federal regulations make the funding complicated to use. All activities must meet a National Objective described above as well as be an Eligible Activity. There are four primary categories of Eligible Activities:

- Public Services
- Public Facility or Infrastructure Improvements:
 - Street and Sidewalk Improvements; Water and Sewer Lines; Improvements to Neighborhood Facilities; School and Fire Station Improvements; Façade Improvements in LMI Commercial Districts; Energy Efficiency Projects; Tree Planting; Handicapped Accessibility; Improvements to Neighborhood Parks and Playgrounds
- Affordable Housing
 - Rehabilitation of Existing Structures; Conversion of Closed Buildings to Residential Use; Acquisition, Clearance, and Site Improvements; Rental Housing Subsidies; Correcting Local Building Code Violations; Energy Efficiency and Weatherization Programs; Emergency Repair Programs; Down-Payment and Closing Cost Assistance; Homebuyer Education and Housing Counseling
- Economic Development
 - Grants, Loans, or Loan Guarantees to Private Businesses; Technical Assistance to For-Profit Businesses; LMI Neighborhood-Based Commercial Development; Microenterprise Development and Support; Job Training as Part of a Special Economic Development Activity; Commercial Rehabilitation of Building Exterior or to Correct Code Violations; Special Activities by Community-Based Development Organizations

➤ *Public Services*

The CDBG regulations allow the use of grant funds for a wide range of public service activities, including, but not limited to:

- Job Training; Child Care; Health Services; Senior Services; Afterschool Programs; Substance Abuse Counseling; Community and Recreation Center Programming; Youth and Adult Sports; Services for the Homeless; Services for Persons with HIV/AIDS; Domestic Violence Prevention; Legal Services; Housing Counseling; Food Banks; Tax Preparation; Crime Awareness; etc.

CDBG funds may be used to pay for labor, supplies, materials, and costs associated with operating and/or maintaining the portion of a facility in which the public service is located. This includes the lease of a facility, equipment, and other property needed for the public service.

To utilize CDBG funds for a public service, the service must be either:

- A new service; or

- A quantifiable increase in the level of an existing service which has been provided by the grantee or another entity on its behalf through State or local government funds in the 12 months preceding the submission of the grantee’s Consolidated Plan Annual Action Plan to HUD.
 - An exception to this requirement may be made if HUD determines that any decrease in the level of a service was the result of events not within the control of the local government.

The provision of “income payments” is NOT an eligible CDBG activity if these payments are provided as a grant.

PUBLIC SERVICE FUNDING CAP

The total amount of CDBG funds obligated for public services activities cannot exceed 15 percent of the annual grant allocation. Public services carried out by subrecipients agencies are subject to the 15 percent public services cap.

➤ ***Public Facility or Infrastructure Improvements:***

Under the CDBG Program, grantees may use funds to undertake a variety of public facilities and public improvement projects. In general, public facilities and public improvements are interpreted to include all facilities and improvements that are publicly owned, or that are owned by a nonprofit and open to the general public. Eligible Activities include the following:

- Street and Sidewalk Improvements; Water and Sewer Lines; Improvements to Neighborhood Facilities and Community-Based Organizations; School and Fire Station Improvements; Energy Efficiency Projects; Tree Planting; Handicapped Accessibility; Improvements to Parks and Playgrounds; Streetscape Improvements; etc.

The acquisition, construction, reconstruction, rehabilitation, or installation of public facilities and improvements are eligible activities under CDBG and can be carried out by a grantee, subrecipient, or other nonprofit. Public facilities may only be owned by these types of entities.

If the assisted facility is owned by a nonprofit, the CDBG regulations stipulate that the facility must be open to the public during normal working hours and must be where Public Service activities are conducted that benefit Low and Moderate Income Persons.

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

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

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

➤ *Affordable Housing*

Affordable Housing is one of the most common community development programs. CDBG funds provide a wide range of flexibility with rehabilitation of projects and design considerations. CDBG funds may be used to finance the costs of repair and rehabilitation of residential property, whether privately or publicly owned. This includes manufactured housing when such housing constitutes part of the community's housing stock. Grantees can choose to do emergency repair programs, spot rehabilitation, full house rehabilitation, as well as demolition and reconstruction. Some other Eligible Activities include:

- Rehabilitation of Existing Structures; Conversion of Closed Buildings to Residential Use; Acquisition, Clearance, and Site Improvements; Interest Rate Subsidies; Correcting Local Building Code Violations; Energy Efficiency and Weatherization Programs; Emergency Repair Programs; Down-Payment and Closing Cost Assistance; Homebuyer Education and Housing Counseling; etc.

In order to be eligible for CDBG funds, a residential property must be:

- A single- or multi-family residence
- The primary residence of the property owner or renter
- A low- to moderate- income household. Affordability restrictions may apply

Eligible types of assistance include the following

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

- Landscaping, sidewalks, and driveways – The costs of installation or replacement of landscape materials, sidewalks, and driveways when incidental to other rehabilitation of the property.
- Renovation of closed buildings – The conversion of a closed building from one use to a residential use (e.g., the renovation of a closed school building to apartment building for LMI residents).
- Historic preservation – The costs associated with preserving or restoring residential properties of historic significance, whether privately- or publicly-owned.
- Lead-based paint hazard evaluation and reduction – The costs of evaluating and treating lead-based paint may be undertaken under this category whether alone or in conjunction with other rehabilitation.
- Rehabilitation services – Staff costs and related expenses required for outreach efforts for marketing the program, rehabilitation counseling, screening potential applicant households and structures, energy auditing, preparing work specifications, loan underwriting and processing, inspections, and other services related to assisting owners, tenants, contractors, and other entities who are participating or seeking to participate in rehabilitation activities under this categories.

Rehabilitation does not include:

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

CDBG funds cannot be used to subsidize or assist **new construction** of housing, unless carried out by a Community-Based Development Organization, as described in 24 CFR 570.204.

<https://www.ecfr.gov/current/title-24/part-570#570.204>

➤ *Economic Development*

The CDBG program recognizes that there are several ways that economic development may be undertaken and CDBG funds may be used to undertake a wide variety of economic development activities. It is important to note that economic development activities are to support the development, growth, and expansion of **for-profit businesses**. Non-profit agencies are eligible to receive economic development funds; however, the funds **MUST** be used to fund services that support for-profit businesses. Eligible types of assistance include:

- Commercial and Industrial Development: Acquisition/Disposition – Land acquisition, clearance of structures, or packaging of land for the purpose of creating industrial parks or promoting commercial/industrial development. These activities must be carried out by the grantee or by non-profits.

- Commercial/Industrial Development: Building Acquisition, Construction, Rehabilitation – Acquisition, construction, or rehabilitation of commercial/industrial buildings. These activities must be carried out by the grantee or by non-profits.
- Commercial/Industrial Development: Infrastructure Development – Street, water, parking, rail transport, or other improvements to commercial/industrial sites. Can also include the installation of public improvements, such as the construction of streets to and through commercial/industrial areas. These activities must be carried out by the grantee or by non-profits.
- Commercial/Industrial Development: Other Improvements – Any other improvements not covered by the above but are necessary for commercial or industrial development. These activities must be carried out by the grantee or by non-profits.
- Economic Development: Direct Financial Assistance to **For-Profit Businesses** – Financial assistance to acquire property, clear structures, build, expand or rehabilitate a building, purchase equipment, or provide operating capital. Forms of assistance include loans, loan guarantees, and grants.
- Economic Development: Business Technical Assistance – Technical assistance to for-profit businesses, including workshops and classes to discuss business planning, growth and expansion, marketing, taxes and accounting, referrals, etc.
- Economic Development: Micro-Enterprise Assistance – Financial assistance, technical assistance, or general support services to owners and developers of micro-enterprises. A micro-enterprise is a business with five or fewer employees, including the owner(s).
- Commercial Rehabilitation – These are activities that are designed to bring commercial structures up to code or improve their facades or storefronts. If the commercial structure is owned by a private, for-profit entity, the following limitations apply:
 - Rehabilitation is limited to the exterior of the building and the correction of code violations; and
 - Any other improvements are carried out under the special economic development activities category discussed above.
- Job Training – Workforce development and job training programs are typically considered a Public Service activity; however, if the activity is part of a special economic development project, or as part of micro-enterprise assistance to the owner of a micro business for his or her employees, then it may be considered an Economic Development activity.

MICRO-ENTERPRISE DEVELOPMENT

Micro-enterprise assistance is business support to very small businesses or burgeoning entrepreneurs that need help to launch or grow their business. These activities are designed to foster the development, support, and expansion of microenterprise businesses.

A microenterprise is defined as a commercial (for-profit) enterprise that has five or fewer employees, one or more of whom owns the business. A micro-enterprise cannot be a non-profit. The person developing a microenterprise refers to a person or persons who expressed interest in starting a business, and who is or is expected to be actively working toward developing a business that will be a microenterprise at the time it is formed.

Eligible microenterprise activities include the provision of:

- Grants, loans, loan guarantees and other forms of financial support, for the establishment, stabilization, and expansion of microenterprises;
- Technical assistance, advice, and business services to owners of microenterprises and persons developing microenterprises;
- General support to owners of microenterprises and persons developing microenterprises including child care, transportation, counseling and peer support groups; and
- Training and technical assistance or other support services to increase capacity of grantees or subrecipients to carry out microenterprise activities.

Limitations of CDBG Funding

The following activities may not be assisted with CDBG funds:

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

Funding requests from faith-based organizations

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

1. Organizations may not use direct HUD funds to support inherently religious activities such as worship, religious instruction, or proselytization. Faith-based organizations may use HUD funds to support non-religious social services that are separate in time or location from their inherently religious activities.
2. Faith-based organizations, like all organizations implementing HUD-funded programs, must serve all eligible beneficiaries without regard to religion. Faith-based organizations may not require participants to attend or take part in any religious activities. Faith-based organizations may invite participants to religious activities that take place at a different time or location, but these participants must be reassured that their decision to participate or not will affect their ability to receive the service you are providing with HUD funds.

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

The complete guidelines can be found at:

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

Public Service Cap

HUD regulations place a cap of 15% of the total annual allocation on the amount agencies may allocate towards Public Service programs. This means the City, as an entitlement community, can allocate no more than 15% of its total annual allocation each year towards public services. All public services must be provided to low or moderate-income residents of the City of Woonsocket.

Fiscal Policies & Procedures

Sub-recipients of CDBG funds must ensure that they are in compliance with all applicable fiscal and administrative requirements issued by the City of Woonsocket and the Federal government. These requirements are detailed in this section.

All agencies awarded CDBG funds must be in compliance Title 2, Part 200 – Uniform Administrative Requirements, Cost Principals and Audit requirements for Federal Awards. The full set of regulations is available online here: <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200>

Definitions:

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

➤ *Board of Director Responsibilities*

Upon execution of the agreement between the City and the Sub-recipient, the Sub-recipient shall:

1. Immediately report all changes in its articles of incorporation, bylaws, or tax-exempt status to the City.
2. Ensure no member of the Board of Directors is a paid employee, agent or subcontractor.
3. Continue to include representation on the Board of Directors, the broadest possible cross-section of the community, including those with expertise and interest in provided services, representatives from community organizations interested in the services, and users of the services.
4. Ensure all meetings of the Board of Directors are open to the public, except meetings, or portions thereof, dealing with personnel or litigation matters.
5. Keep minutes of all regular and special meetings of the Board of Directors, have a regular meeting at least once a year, and upon request, forward copies to the GPC assigned to your program.

➤ *Administrative Oversight*

Sub-recipient's Administrative/Program Staff responsibilities include:

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

Sub-recipient Finance Officer Responsibilities include:

- The finance officer or accountant is responsible for maintaining a computer accounting / bookkeeping system. The finance officer's or accountant's responsibilities include, but are not limited to:
 - Control of accounting documents for processing by the sub-recipient
 - Preparation of financial reports based on accounting records
 - Preparation of requests for reimbursement, subject to review by the agency's Director
 - Execution and oversight of all financial procedures designed to avoid or eliminate waste, fraud, or abuse of grant funds.

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

Internal Controls

Agencies receiving CDBG funding shall have:

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

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

- An organization plan that safeguards resources by segregating duties (i.e., the person requesting payment should not also approve payment and record receipt of payment)
- A system of authorization and recording procedures that provides effective accounting control over assets, liabilities, revenues, and expenses
- An established system of procedures followed by each organizational component in performing its duties and functions
- Personnel capable of performing their responsibilities
- An effective system of internal reviews

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

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

➤ *Recordkeeping*

To ensure eligibility of costs, sub-recipient files shall include copies of:

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

RECORD RETENTION POLICY

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

ACCESS TO RECORDS

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

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

ACCOUNTING RECORDS

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

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

- A computer accounting system that records the source of income and categorizes expenses for grant activities
- Written accounting procedures, chart of accounts, written internal controls, administrative controls, accounting journals and ledgers
- Payment requests and source documentation (bills, receipts, copies or cancelled checks, etc.)
- Comparison of actual checks written with budgeted amounts for each grant
- Written procedures for determining what is reasonable and allowable through Subpart E – Cost principles General provisions 200.400 for costs and activities
- Procurement files (bids, contracts, etc.) and real property inventory
- Bank account and payroll records
- Financial statements, correspondence and audit files

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

MAINTENANCE OF RECORDS

Sub-recipients are required to have accounting records that adequately identify the source and application of CDBG funds provided to them. To meet this requirement, a Sub-recipient's accounting system should include the following elements:

- **Chart of Accounts** - This is a list of names and the numbering system for the individual accounts that contains the basic information about particular classifications of financial transactions for the organization. A typical chart of accounts might have, for example, separate account categories for describing assets (cash in a checking account, accounts receivable, pre-paid insurance, etc.); liabilities (loans, accounts payable, obligated funds, etc.); revenue (drawdowns from CDBG awards, cash contributions, proceeds from sales, other program income, etc.); and expenses (rent, wages, utilities, phones, etc.).
- **A Cash Receipts Journal** - This journal documents (in chronological order) when funds were received, in what amounts, and from what sources. Every transaction is initially recorded in a journal. Therefore, a journal is called a record or book of original entry. Each entry in the journal states the names of the individual accounts to be debited and credited, the dollar amount of each debit and credit, the date of the transaction, and any other necessary explanation of the transaction. Information for a journal entry can come from a variety of sources, such as checks issued or received, invoices, cash register tapes, and time sheets.

- **Cash Disbursements Journal** - This journal documents the expenditures of the organization in chronological order (e.g., when the expense was incurred, how much was spent, to whom it was paid, and for what purpose).
- **Payroll Journal** - This journal documents the organization’s expenses on salaries and benefits and distinguishes different categories for regulatory purposes.
- **General Ledger** - After a transaction is entered in a journal, that information also should be transferred to the proper accounts in the general ledger. The general ledger summarizes in chronological order the activity and financial status of all the accounts of an organization. The process of transferring transaction information from a journal to a ledger is known as “posting”. The entries in the journal and ledger should be cross- indexed to permit the tracing of any recorded transaction (i.e., an “audit trail”).
- **Payroll Records** – The largest component of direct cost associated with most awards received by nonprofit organizations is labor. Personnel activity reports or equivalent documentation must meet certain standards. Reports must reflect an after the fact determination of the actual activity of each employee. Reports must be signed by the individual employee, and by a responsible supervisory official having firsthand knowledge of the activities performed by the employees. Further, the proposed distribution of activity should represent a reasonable estimate of the actual work performed by the employee during periods covered by the award.

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

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

- **Property Register** - To adhere to requirements outlined in the Revisions to 2 CFR Part 200 at subpart D, a listing of all property and/or equipment purchased with Federal grant funds in the amount of \$5,000 or more must be maintained. All use and proposed dispositions of grant-funded property is governed by the provisions under the revisions to 2 CFR Part 200 at subpart D.

➤ *Budgeting*

SOURCES AND USES OF FUNDS

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

- Federal grant awards received by the organization
- Current authorizations and obligations of CDBG funds
- Unobligated balances (funds remaining available for distribution)
- Assets and liabilities

- Program income
- Actual outlays or expenditures

BUDGET CONTROLS

All Sub-recipients are required to submit a proposed program budget when making an application for funding. Once the application process has been completed, an up to date and accurate program budget must be created and submitted to the Department of Planning and Development/Division of Housing &Community Development for approval and inclusion in the Sub-recipient Agreement.

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

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

BUDGET CATEGORIES

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

There are typically 5 cost categories within a general budget:

Non-Administrative Personnel Costs

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

officers of the non-profit are not and cannot be employees of the agency. This is considered a conflict of interest. Employees must have all the pertinent federal deductions and taxes paid.

Non-Administrative Office Costs

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

General Non-Personnel Costs

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

Capital Assets/Equipment/Computers

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

Improvement/Acquisition Costs

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

Budget Revisions

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

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

The Director of the City of Woonsocket's Department of Planning and Development along with the Deputy Director of Housing & Community Development/Federal Administrator has the authority to grant or deny requests for budget revisions.

➤ *IDIS Drawdown Policy*

To ensure that funds are expended in accordance with the requirements of 2 CFR 200.305.38, Payment, the City will only drawdown funds from the HUD IDIS system after the invoice has been processed and paid by the City's accounting department.

Steps taken to Fund CDBG/HOME/ESG Activities:

- The City receives the notice from HUD that the Request for the Release of Funds has been granted.
- The Federal Administrator or an appointed staff member who is designated will set up all CDBG/HOME/ESG activities.
- When all CDBG/HOME/ESG activities are set-up, the activities will be fully funded in the amount that was designated in the "Project" step/process of the set-up of activities, to reflect a zero dollars (\$0.00) amount in the available to commit column of the PR-1 Report from IDIS.

➤ *Allowable Costs*

The standards for determining reasonableness, allowability, and allocability of costs incurred as part of CDBG-financed activities are found in 2 CFR 200.400 Subpart E for non-profits/ Sub-recipients. According to basic guidelines under the CDBG program if it meets all other regulations and:

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

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

- Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization in the performance of the award;

- Whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the organization, its members, employees and clients, the public at large, and the Government; and
- Significant deviations from the established practices of the organization which may unjustifiably increase the award costs.

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

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

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

➤ *Audits*

The agreement with the City may be subject to an A-133 Audit, a CPA Audited Financial Statement or a Certified Financial Statement (CFA), depending on expenditures. Other requirements may include 2 CFR 200.500 Subpart F "Audit Requirements".

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

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

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

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

AUDIT DUE DATE

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

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

All Sub-recipients who fall under the requirements of 2 CFR 200.500 Subpart F "Audit Requirements" Auditing rules must submit a full and complete copy of such audits to the Department of Planning and Development/ Division of Housing & Community Development. It is the responsibility of the sub-recipient to ensure that audits are completed in a proper and timely manner.

Failure to submit copies of the A-133 Audit will render the Sub-recipient as non-compliant. This means that no funds may be drawn until the City of Woonsocket's Department of Planning and Development/ Division of Housing & Community Development has received and reviewed the copy of the audit.

CITY INTERNAL AUDIT REVIEWS

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

SOURCE DOCUMENTATION

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

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

- Payroll source documentation should include employment letters and all authorizations for rates of pay, benefits, and employee withholdings. Such documentation might include union agreements or minutes from board of directors' meetings where salary schedules and benefit packages are established, copies of written personnel policies, W-4 forms, etc. For staff time charged to the CDBG program activity, time and attendance records should be available. If an

employee's time is split between CDBG and another funding source, there must be time distribution records supporting the award of charges among the sources. Canceled checks from the employees, payroll service provider, etc., or evidence of direct deposits will document the actual outlay of funds.

- Rental or lease agreements, and bills from the respective companies must support space and utilities costs. Both types of expenses will be supported by canceled checks. If the cost is split between CDBG and other sources, there must be a reasonable method in place to allocate the charges equitably among the sources.
- Supplies should be supported by purchase orders or requisition forms initiated by an authorized representative of the sub-recipient, an invoice from the vendor (which has been signed off by the sub-recipient to indicate the goods have been received), the canceled check to the vendor demonstrating payment was made, and information regarding where the supplies are stored and for what cost objectives they are being used.

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

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

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

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

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

➤ *Program Income*

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

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

Program income shall be recorded separately on a quarterly basis (March, June, September, December) and returned to the City for disposition. Upon approval by the City, income from the Project may be retained by sub -recipient provided that written notification is given to the Department of Planning and Development/Division of Housing & Community Development Deputy Director and that the income is to be used for the exclusive benefit of the Program. Such income will be subject to guidelines for use of such income in accordance with HUD regulations.

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

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

➤ *Monthly Reimbursements*

Department of Planning and Development/Division of Housing & Community Development Deputy Director will review each request for reimbursement submitted by the Sub-recipient. Questionable or ineligible expenses will be identified and the Sub-recipient will be requested to submit clarifications, corrections, or additional information. If a request for payment is reviewed and found to have errors or missing documentation, the invoice will be returned to the sub-recipient with instructions for re-submittal. Requests for payment will not be made until all documentation and information has been satisfactorily provided to the City (including any outstanding reports or other requests for information).

- A Request for Payment shall include:
- Requisition Form (Detailing request)
- Letter Requesting Funds on Signed Letterhead
- Timesheets & Certified Payrolls*
- Receipts/Copies of Bills*

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

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

SPENDING REQUIREMENTS

CDBG funds must be spent in a timely manner. Unless an alternative spending plan has been approved in writing by the Department of Planning and Development/Division of Housing & Community Development Deputy Director, funds must be expended in the following manner:

- Public Service/Planning Activities: 100% by end of Program Year (June 30th, unless the Sub-recipient submits in writing (required) an extension for the contract/MOU to be amended)
- Improvements/Construction Activities: 100% by the end of the project

Request for Funds submitted by July 10th for the fiscal year the funds are awarded. Unspent funds cannot be carried forward and are forfeited. Reminder: Sales tax will not be reimbursed.

BACKUP DOCUMENTATION REQUIRED FOR REIMBURSEMENT REQUESTS

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

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

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

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

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

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

SUCCESSFUL COMPLETION OF REQUEST FOR PAYMENT FORM

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

- Section I: Request #'s should be sequential, Amount of Request should match the Request amount at the bottom of the form, and the Period Covered should reflect the month in which the funds were spent. Please use the beginning of the month through the end of the month, i.e. 1/1/XXXX – 1/31/XXXX.
- Section II: Please make and highlight any corrections to the Agency information contained in this area; it is important that our information is current.
- Section III: Budgeted Amount, please do not change the amounts in the columns without receiving a budget amendment approval. Request Amount should match the receipts and/or other documentation submitted. Previous Drawdowns should match the last request and subsequent payment submitted to the city. Remaining Funds should be the total after subtracting the Request Amount and Previous Drawdowns.
- Section IV: Signature and Date line. Please sign and date the Request for Funds for submittal.

MILEAGE AND TRAVEL

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

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

- Mileage: The Subrecipient shall submit written mileage records identifying the driver of the vehicle, the number of miles driven on each day, and the purpose of the trip. The Subrecipient shall certify the accuracy of the information reported. Travel to and from work is not an eligible expense for mileage reimbursement.
- Travel: Reimbursable costs include conferences, lodging, food, and other non-mileage costs. Department of Planning and Redevelopment policy requires that all travel costs be kept to a minimum. Supporting documentation must be provided with all requests for travel reimbursement.
 - Local Travel: Defined as travel within Rhode Island.
 - Out-of-State Travel: Approval for out-of-state travel must be requested in writing from the City's Department of Planning and Development/Division of Housing & Community Development Deputy Director at least twenty one (21) working days prior to the trip. The Department of Planning and Redevelopment Director will review the request and provide a response within five (5) working days.

TELEPHONE EXPENSES

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

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

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

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

Purchasing and Contracting

The City along with its Sub-recipients will comply with the City's CDBG procurement policy which is based on Rhode island General Law pertaining to procurement standards, along with 2 CFR 200.317 Subpart D. A price or cost analysis must be made in connection with every procurement action. Price analysis involves comparing the bottom line price quoted, with typical prices paid for the same or similar materials or services (does not apply to sole source contracts). Cost analysis means you obtain the best price with the best service. Typically, a minimum of three bids, quotes, or estimates is required.

Sub-recipients must meet with the Department of Planning and Development/Division of Housing & Community Development Deputy Director to schedule pre-bid and pre-construction meetings and to discuss the compliance process. By contacting, informing, and including DPD staff from the beginning of your project, you can ensure full compliance with all rules and a smoother contract management process.

PURCHASING— SUPPLIES AND MATERIALS: (CITY CDBG PROCUREMENT/RIGL PROCUREMENT REGULATIONS 7.5)

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

CONSTRUCTION – CAPITAL IMPROVEMENTS, REHABILITATION AND ADA IMPROVEMENTS: (CITY CDBG PROCUREMENT/RIGL PROCUREMENT REGULATIONS 5.1 -12 & 8.11)

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

CONSULTING AND A/E SERVICES: (CITY CDBG PROCUREMENT/RIGL PROCUREMENT REGULATIONS 7.4, 7.6 & 7.7)

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

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

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

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

SUBCONTRACTS

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

Provisions Required in Subcontracts

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

Review of Subcontracts by City

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

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

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

Required Subcontract Documentation

The Sub-recipient shall maintain the following documentation in its files:

1. Summary of bids and proposals received.

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

Types of Subcontracts Covered Under This Section

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

CODES OF CONDUCT

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

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

➤ *Equipment Procurement*

The City along with its sub-recipients will comply with the City's CDBG procurement policy along with 2 CFR 200,317/318 Subpart D. Equipment is defined as tangible property costing more than \$500 and having a useful life of more than one year. Items which cost less than \$500 and which have a useful life of less than one year are considered to be supplies and are to be purchased under the General Non- Personnel Costs (Supplies) cost category, except for computer equipment, which must be inventoried and accounted for.

Under HUD regulations, the purchase of equipment, fixtures, or furnishings that are not an integral structural fixture is ineligible except when necessary for use by the City or a Sub-recipient in the administration of the overall City CDBG grant or as part of the administration of a public service program. The City does not allow for purchase of vehicles with CDBG funds by a Sub-recipient, unless explicitly approved in writing beforehand. All vehicle purchases will be governed by the City of Woonsocket's CDBG procurement policy.

Notification Requirements

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

Reversion to City/HUD

Under HUD regulations, the City/HUD has the option to obtain the equipment from the program when funding stops for the program. The review of the type of equipment to be purchased will include mention of its possible usefulness to the City. The City may also permit the

Sub-recipient to retain the equipment at the time the funding ends. All other personal property, supplies and equipment purchased pursuant to this agreement and not consumed may become property of the City/HUD.

Inventory Instructions

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

Program Policies & Procedures

➤ Reporting

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

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

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

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

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

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

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

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

Please double check your quarterly information for accuracy.

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

➤ *Closeout Reports*

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

- Review and verification of annual client statistical and narrative report due 30 days after the end of the program year - July 31th. The June report with year-to-date client totals, along with a program narrative will suffice.
- Review of Sub-recipient record keeping system, including, but not limited to:
 - Activity documentation
 - Personnel files
 - Inventory control files
 - Evaluation of activity and program accomplishment

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

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

➤ *Demonstrating Client Eligibility*

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

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

CLIENT CERTIFICATION OF INCOME AND HOUSEHOLD SIZE

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

- Client name and address
- Gender

- Ethnicity/race
- Head of household status
- Income of all Household members
- Household Size
- Languages Spoken

Additionally, all applicants shall sign certify to the following:

APPLICANT CERTIFICATION

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

➤ **Client Documentation & Records**

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

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

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

Income documentation is not required for the following client types:

1. Victims of domestic violence
2. Seniors 62 years of age and older
3. Persons with recognized disabilities

All other documentation is required.

➤ *File Organization and Maintenance*

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

Program file should contain:

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

Client files should contain:

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

Sub-recipients shall adhere to HUD's legal requirement as contained in 2 CFR Part 200.333 Subpart D.

➤ *Conflict of Interest*

A Conflict of Interest is a real or seeming incompatibility between a person's private interests and his or her public or fiduciary duties. For the purposes of CDBG, the rule is that

- no person or persons who is/are an Employee, Agent, Consultant, Officer, Elected Official, or Appointed Official of the City of Woonsocket, a Sub-recipient agency of CDBG funds (applies to your agency and other CDBG agencies), and/or the Federal Government;
- Who exercise or have exercised any functions or responsibilities with respect to CDBG activities, and/or are in a position to participate in a decision making process or gain inside information with regard to such activities;
- Shall not obtain a financial interest or benefit from a CDBG-assisted activity, 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.

Exceptions

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

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

1. A disclosure of the nature of the conflict, accompanied by an assurance that there has been public disclosure of the conflict and a description of how the public disclosure was made. Typically notification is provided through a Website Posting and Legal Notices in the Woonsocket Call.
AND
2. An opinion of the Sub-recipients & City of Woonsocket attorneys that the interest for which the exception is sought would not violate State or local law.

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

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

- Significant cost benefit or essential expertise to project.
- Opportunity for open competitive bidding or negotiation.
- Person affected:
 - Member of low or moderate income class of persons intended to be beneficiaries of the assisted activity.
 - Exception will permit such person to receive same benefits as the class.
- Person affected has withdrawn from his or her functions or responsibilities, or the decision making process with respect to the assisted activity.
- Interest or benefit was present before affected person was in the “conflicting” position.
- Undue hardship to sub-recipient or person affected when weighed against public interest served by avoiding the prohibited conflict.
- Any other relevant considerations.

➤ ***Procurement***

The City along with its sub-recipients will comply with the City’s CDBG procurement policy along with 2 CFR 200,317/318 Subpart D In the procurement of supplies, equipment, construction, and services by recipients and by Sub-recipients, the conflict of interest provisions in 24 CFR 85.36 and CFR 84.42, respectively, shall also apply.

In all cases not governed by the City’s CDBG procurement policy 2 CFR 200.317-326 Subpart D, the provisions of this section shall apply. Such cases will include the acquisition and disposition of real

property and the provision of assistance by the City of Woonsocket or by its Sub-recipients to individuals, businesses, and other private entities under eligible activities that authorize such assistance (e.g., rehabilitation, preservation, and other improvements of private properties or facilities.

➤ *Internal Standards*

Sub-recipients are responsible for ensuring staff understand and abide by the conflict of interest requirements under the CDBG program.

Minimally, Sub-recipients shall maintain a written code of standards of conduct governing the purchase of materials, product, supplies, services and awarding and administering

Sub-recipient contracts. Personnel involved in the procurement process must be trained to recognize situations that create real, or the appearance of a conflict of interest. The agency personnel should:

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

➤ *Religious Activities*

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

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

(j) Faith-based activities. (1) Organizations that are religious or faith-based are eligible, on the same basis as any other organization, to participate in the CDBG program. Neither the Federal government nor a State or local government receiving funds under CDBG programs shall discriminate against an organization on the basis of the organization's religious character or affiliation.

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

(3) A religious organization that participates in the CDBG program will retain its independence from Federal, State, and local governments, and may continue to carry out its mission, including the definition, practice, and expression of its religious beliefs, provided that it does not use direct CDBG funds to support any inherently religious activities, such as worship, religious instruction, or proselytization. Among other things, faith-based organizations may use space in their facilities to provide CDBG-funded services, without removing religious art, icons, scriptures, or other religious symbols. In addition, a CDBG-funded religious organization retains its authority over its internal governance, and it may retain religious terms in its organization's name, select its board members on a religious basis, and include religious references in its organization's mission statements and other governing documents.

- **Likely Eligible:** A church hosts a weekly soup kitchen in their auditorium. No other activities are hosted in the auditorium. While the building as a whole is a religious institution and volunteers are often members of the congregation, there are no religious requirements or activities surrounding the soup kitchen, and no other activities take place in the auditorium. CDBG funds could thus be used to improve aspects of the auditorium, such as making the entrance of the auditorium handicap accessible.
- **Likely Ineligible:** A church runs a homeless shelter which requires residents to pray daily. This religiously-affiliated homeless shelter would not be eligible for CDBG improvements.

➤ *Political Activities*

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

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

HATCH ACT, CHAPTER 15, TITLE 5 U.S. CODE

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

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

ANTI-LOBBYING

Section 319 of Public Law 101-121, of the Department of the Interior Appropriations Act, prohibits sub-recipient from using appropriated Federal funds for lobbying the Executive or Legislative Branches of the Federal Government in connection with a specific contract, grant, or loan. Further, the law requires that

no Federal appropriated funds have been paid or will be paid, by or on behalf of sub-recipient to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

➤ *Program Income*

Program income shall be recorded separately and returned to the City of Woonsocket for disposition. Upon approval by the City, income from the Project may be retained by sub-recipient provided that written notification is given by the Division of Housing & Community Development and that the income is to be used for the exclusive benefit of the Program.

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

Program income, as defined in 2 CFR 200.307 subpart D, includes, but is not limited to, the following:

- Proceeds from the disposition by sale or long-term lease of real property purchased or improved with CDBG funds;
- Proceeds from the disposition of equipment purchased with CDBG funds;
- Gross income from the use or rental of real or personal property acquired by sub-recipient with CDBG funds, less costs incidental to generation of the income;
- Gross income from the use or rental of real property, owned by sub-recipient, that was constructed or improved with CDBG funds, less costs incidental to generation of the income;
- Payments of principal and interest on loans made using CDBG funds, except as provided in 2 CFR 200.307 subpart D; and
- Interest earned on program income pending its disposition.

➤ *Anti-Discrimination Policies*

CDBG Sub-recipients are prohibited from discriminating on the basis of:

- Race
- Color
- Religion
- National Origin
- Disability Status (Including prior Alcohol & Illegal Substance Addictions)
- Familial Status
- Ethnicity
- Gender
- Gender Identity
- Language(s) Spoken

- Literacy
- Sexual Orientation
- Veteran Status

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

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

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

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

- Section 109 of Title I of the Housing and Community Development Act of 1974, as amended (42 U.S.C. 5301 et. seq., particularly 42 U.S.C. 6101 et. seq., and 29 U.S.C. 794): This law mandates that no person on the grounds of race, color, national origin, sex, or religion shall be excluded from participation, denied the benefits of, or otherwise be subject to discrimination under any activity funded in whole or part with CDBG funds.
- Title VI of the Civil Rights Act of 1964 (Public Law 88-352 implemented in 24 CFR Part 1): This law states that no person shall, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.
- Fair Housing Act, Title VIII of the Civil Rights Act of 1968 (Public Law 90-234): The Fair Housing Act prohibits discrimination in housing practices on the basis of race, color, religion, sex, and national origin. The Fair Housing Act was amended in 1988 to provide protections from discrimination in any aspect of the sale or rental of housing for families with children and persons with disabilities. The Fair Housing Act also establishes requirements for the design and construction of new rental or for-sale multi-family housing to ensure a minimum level of accessibility for persons with disabilities.
- Executive Order 11063, as amended by Executive Order 12259 (implemented in 24 CFR Part 107): This order and its implementing regulations require HUD to take all actions necessary to prevent discrimination because of race, color, religion, sex, or national origin in the use,

occupancy, sale, leasing, rental, or other disposition of residential property assisted with Federal loans, advances, grants, or contributions.

- The Age Discrimination Act of 1975, as amended: This law provides that no person shall be excluded from participation, denied program benefits, or subjected to discrimination on the basis of age under any program or activity receiving Federal assistance.
- Section 504 of the Rehabilitation Act of 1973, as amended (implemented at 24 CFR Part 135): This section specifies that no otherwise qualified individual shall solely by reason of his or her handicap be excluded from participation (including employment), denied program benefits, or subjected to discrimination under any program or activity receiving Federal assistance. Part 8 requires that recipients ensure that their programs are accessible to and usable by persons with disabilities. Part 8 also prohibits recipients from employment discrimination based upon disability.

➤ *Access for Persons with Disabilities*

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

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

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

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

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

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

Individuals with Disabilities include persons that are:

- 1) Mobility impaired
- 2) Hearing impaired
- 3) Visually impaired

- 4) Developmentally disabled
- 5) Persons who remain in-home or institutionalized care settings

General Requirements

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

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

Communications

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

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

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

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

Employment

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

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

➤ *Building and Program Accessibility*

Sub-recipients shall comply with the following requirements:

- **New Construction** – Non-housing facilities shall be designed and constructed to be readily accessible to individuals with disabilities in conformance with the City of Woonsocket and its Building /Zoning Department along with being code compliant.

- **Rehab or Alterations** – Rehabilitation of non-housing facilities shall be made to be readily accessible to individuals with disabilities in conformance with the City of Woonsocket and its Building /Zoning Department along with being code compliant. Rehab does not include re-roofing, interior decorations, or changes to mechanical systems. However, rehab shall not be performed in such a manner that it reduces accessibility.
- **Existing Non-Housing Facilities** – An agency shall locate and operate each program receiving HUD assistance so the program, when viewed in its entirety, is readily accessible to and usable by individuals with disabilities. An agency may achieve accessibility through methods such as the following:
 1. Location of programs or services to accessible facilities or accessible portions of facilities
Assignment of aides to assist beneficiaries
 2. Home visits
 3. The addition or redesign of equipment or furnishings
 4. Acquisition or construction of additional facilities
 5. Rehab or alterations to facilities on a selective basis.

Additional Requirements Applicable Only to Housing Projects:

- New housing projects shall be designed and constructed to be readily accessible to and usable by individuals with disabilities in conformance with the City of Woonsocket and its Building/ Zoning Department along with being code compliant.
- Renovation to housing projects shall, to the maximum extent feasible, be made to be readily accessible and usable by individuals with disabilities in conformance with the City of Woonsocket and its Building/Zoning Department along with being code compliant. Once five percent (5%) of the dwelling units are readily accessible, additional units do not need to be accessible, but are encouraged.

➤ **Accessibility Self Evaluation**

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

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

All Sub-recipients shall:

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

➤ *Environmental Standards*

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

- Sub-recipient may not spend either public or private funds (CDBG, other Federal or non-Federal funds), or execute a legally binding agreement for property acquisition, rehabilitation, conversion, repair or construction pertaining to a specific site until environmental clearance has been achieved.
- Grantees must avoid any and all actions that would preclude the selection of alternative choices before a final decision is made – that decision being based upon an understanding of the environmental consequences and actions that can protect, restore and enhance the human environment (i.e., the natural, physical, social and economic environment).
- Activities that have physical impacts or which limit the choice of alternatives cannot be undertaken, even with the grantee or other project participant's own funds, prior to obtaining environmental clearance.

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

- Execution of a legally binding agreement (such as a property purchase or construction contract);
- Expenditure of CDBG funds;
- Use of non-CDBG funds on actions that would have an adverse impact--- e.g., demolition, dredging, filling, excavating; and
- Use of non-CDBG funds on actions that would be “choice limiting”--- e.g., acquisition of real property; leasing property; rehabilitation, demolition, construction of buildings or structures; relocating buildings or structures, conversion of land or buildings/structures.

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

Exemptions

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

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

- Purchase of tools or insurance
- Technical assistance or training

➤ *National Flood Insurance Program*

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

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

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

➤ *Equal Employment Opportunity*

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

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

➤ *Use of Debarred, Suspended, or Ineligible Contractors/Vendors*

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

<https://www.sam.gov/portal/public/SAM/>

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

➤ *Limited English Proficiency Access*

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

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

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

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

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

➤ *Drug Free Workplace*

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

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

- Make an ongoing, good faith effort to maintain a drug-free workplace by meeting the requirements of the Act.

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

➤ *Insurance Requirements*

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

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

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

Types of Insurance and Minimum Limits

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

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

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

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

- Bodily injury
- Personal injury
- Broad form property damage
- Contractual liability
- Cross-liability
- Professional Liability

- Workers' Compensation policy written in accordance with the laws of the State of Rhode Island and providing coverage for any and all employees of Sub-recipient

Other Insurance Provisions

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

Endorsements

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

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

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

Proof of Coverage

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

Copies of all the required Endorsements listed above shall be attached to the Certificate(s) of Insurance or other evidence of insurance acceptable to the City of Woonsocket, which shall be provided by Sub-recipient's insurance company as evidence of the stipulated coverage.

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

City of Woonsocket, Rhode Island
Department of Planning and Development
169 Main Street
Woonsocket, RI 02895

➤ Rights to Inventions Made Under a Contract or Agreement

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

➤ ***Clean Air Act and the Federal Water Pollution Control Act***

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

Additional Policies & Procedures for Construction / Improvement / Acquisition Activities

➤ Construction Timeline

Sub-recipients shall undertake their CDBG activity in accordance with the following schedule: Pre Bid & Bid

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

Preconstruction

- Attend Preconstruction Meeting with Contractor and Department/Division Staff, to:
 1. Review compliance monitoring process and requirements
 2. Review requisition process
 3. Finalize construction schedule

Construction

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

Project Completion

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

➤ *Labor Standards & Davis Bacon*

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

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

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

<http://www.wdol.gov/wdol/scafiles/davisbacon/ri.html>

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

https://www.hud.gov/program_offices/administration/hudclips/guidebooks/4812LR

Even if the largest part of funding for the project is not CDBG, Davis-Bacon still applies if a single penny of CDBG funds are included in the project.

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

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

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

➤ *Displacement, Relocation, Acquisition, & Replacement of Housing*

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

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

When contemplating any project or program, Sub-recipients shall:

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

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

Under URA CDBG projects are held to BOTH:

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

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

For Real Property Voluntary Acquisition

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

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

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

For Residential Displacements

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

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

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

For the Acquisition of Vacant Property

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

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

Replacement of Affordable Housing

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

- A unit does not need to be replaced if it is a substandard unit not suitable for rehabilitation that has been vacant for over a year.
- Sub-recipient MUST replace a vacant occupy-able dwelling unit, defined as follow:
 1. A dwelling unit in standard condition (regardless of how long it has been vacant)
 2. A vacant unit in substandard condition that is suitable for rehabilitation (regardless of how long it has been vacant)
 3. A dilapidated unit, not suitable for rehabilitation which has been occupied (except by squatters) within one year prior to the date of agreement

➤ Lead Based Paint

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

Sub-recipients must abide by all applicable local, state, and federal regulations and codes governing lead-based paint hazards. Where regulations differ, Sub-recipients are held to the stricter of the standards.

More information regarding State Lead laws can be found online:

<http://www.health.ri.gov/healthrisks/poisoning/lead/about/renovationrepairandpainting/>.

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

requiring notification of hazards of lead-based paint poisoning; AND requiring elimination of lead-based paint hazards.

At a minimum, sub-recipient is required to:

- Notify a purchaser or lessee of the presence of any known lead-based paint and/or lead-based paint hazards;
- Paint test surfaces to be disturbed or removed during rehabilitation for the presence of lead-based paint, or presume lead-based paint and notify the occupants of the results within 15 days of when the evaluation report is received or the presumption is made;
- Provide each occupied dwelling unit discussed in (a) and (b) in the preceding section with the EPA-approved lead hazard information pamphlet Protect Your Family From Lead in Your Home or EPA-approved equivalent;
- Reduce lead hazards as required by the applicable subparts of Part 35 (see full description on following page); and
- Perform clearance testing, including dust testing, before re-occupancy after all but minimal amounts of paint disturbances.

Level of Assistance in Property	Hazard Reduction Requirements	Summary of Requirements
Assistance of less than \$5,000 per unit (some exceptions)	Exempt	<p>Typically, the following are exempt from the Hazard Reduction Requirements (not necessarily notice & other requirements):</p> <ul style="list-style-type: none"> <input type="checkbox"/> Assistance is Less than \$5,000 a Unit <input type="checkbox"/> Unit was Built After 1978 <input type="checkbox"/> Single Room Occupancy Unit <input type="checkbox"/> Deed Restricted Elderly Housing <input type="checkbox"/> Lead Free Building <input type="checkbox"/> No Disruption of a Painted Service
Assistance of more than \$5,000 per unit up to and including \$25,000 per unit	Interim controls	<p><i>Interim controls</i> means a set of measures designed to reduce temporarily human exposure or likely exposure to lead-based paint hazards.</p> <p>Once work is completed, passing a RI Dept of Health LEAD SAFE CERTIFICATE Inspection must be realized for the exterior, common spaces, and all assisted units.</p> <p>This approach provides assurances that lead-based paint (if present) is stable and the unit is “lead safe”. Clearance is conducted for the entire unit; however, it does prevent the reappearance of lead-based paint hazards. On-going maintenance is required.</p> <p>Interim controls include, but are not limited to, repairs, painting, temporary containment, specialized cleaning, clearance, ongoing lead-based paint maintenance activities, and the establishment and operation of management and resident education programs.</p>

<p>Assistance of more than \$25,000 per unit</p>	<p>Abatement of lead-based paint hazards</p>	<p><i>Abatement</i> means any set of measures designed to permanently eliminate lead-based paint or lead-based paint hazards (see definition of “permanent”) in the ENTIRE STRUCTURE (not just the areas where work is being done).</p> <p>Once work is completed a passing a RI Dept of Health Lead Free Certificate must be realized for the exterior, common spaces, and all assisted units.</p> <p>Abatement includes:</p> <ol style="list-style-type: none"> (1) The removal of lead-based paint and dust-lead hazards, the permanent enclosure or encapsulation of lead-based paint, the replacement of components or fixtures painted with lead-based paint, and the removal or permanent covering of soil-lead hazards; and (2) All preparation, cleanup, disposal, and post abatement clearance testing activities associated with such measures.
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Monitoring

Sub-recipients shall adhere to HUD's recordkeeping requirements as contained in 2 CFR Part 200.330-332 (Sub-recipient Monitoring & Management). HUD-funded records must be retained for five years after the completion of the program in order to allow access for audit and public examination. If audit findings are not resolved, the records shall be retained beyond the five years. The retention period starts when the annual or final expenditure report has been submitted or, for non-expendable property, from the date of final disposition.

Monitoring Reviews

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

Monitoring Visits

The five basic steps to the formal monitoring visit include:

1. Notification Call, E-mail, or Letter - Explains the purpose of the visit, confirms date, scope of monitoring and outlines the information that will be needed to conduct the review.
2. Entrance Conference - Introduces monitoring visit purpose, scope and schedule.
3. Documentation and Data Gathering - The City will review and collect data and document conversations held with staff, which will serve as the basis for conclusions drawn from the visit. This includes reviewing client files, financial records, and agency procedures.
4. Exit Conference - At the end of the visit the City will meet again with the key agency representatives to present preliminary results, provide an opportunity for the agency to correct misconceptions and report any corrective actions already in the works.
5. Follow-Up Letter - The City will forward a formal written notification of the results of the monitoring visit pointing out problem areas and recognizing successes. The agency will be required to respond in writing to any problems or concerns noted.

Ongoing Monitoring

Department of Planning and Development/Division of Housing & Community Development staff will conduct an on-going monitoring process in order to review the programmatic and financial aspects of the Sub-recipient's activities. Department of Planning and Development/Division of Housing & Community Development staff will review quarterly reports submitted by the Sub-recipient for compliance with federal regulations regarding the use of federal funds and the implementation of the program.

The monitoring process is oriented towards resolving problems, offering technical assistance, and promoting timely implementation of programs. To this end Department of Planning and Development/Division of Housing & Community Development staff may require corrective actions of the Sub-recipient.

Following are examples of significant problems, which will trigger corrective action by the Sub-recipient:

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

Quarterly Programmatic Monitoring

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

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

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

On-Site Visits

Based on monitoring results and other criteria, the Department of Planning/Division of Housing & Community Development staff may hold discussions with Sub-recipients whose performance does not appear to be sufficient to meet the goals and achievements as outlined in the agreement. An on-site visit may occur to discuss the service activity shortfall.

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