



STATE OF *Alabama*

Subrecipient Manual

Hurricanes Sally and Zeta



Version History

Version Number	Date Published	Summary of Changes
1.0	May 15, 2023	Initial Version

Version Policy

Version history is tracked in the Version History Table, with notes regarding version changes. The dates of each publication are also tracked in this table.

Policy Change Control

Policy clarifications, additions, or deletions may be needed during the course of the program to more precisely define the rules by which the Program will operate. Policy decisions will be documented and will result in the revision of the document in question.

Table of Contents

Version History.....	2
Table of Contents	3
1 Introduction.....	6
1.1 Overview.....	6
1.2 Purpose	6
1.3 Related Policies and Guidance.....	6
2 Grant Management Lifecycle.....	7
2.1 Overview.....	7
2.2 Subrecipients	8
2.2.1 What is a Subrecipient?	8
2.2.2 What is not a Subrecipient?	8
2.3 Roles and Responsibilities.....	8
2.3.1 Subrecipient Responsibilities.....	8
2.3.2 ADECA Responsibilities	9
2.4 Subrecipient Selection.....	9
2.4.1 Method of Distribution (HHMID Areas)	9
2.4.2 Direct Selection.....	9
2.4.3 Competitive Selection Models	9
2.5 Capacity Assessment.....	10
2.5.1 Results of Capacity Assessment.....	10
2.6 Subrecipient Agreement	10
2.7 Communications with Subrecipients	11
2.7.1 ADECA Grant Managers.....	11
2.7.2 ADECA CDBG-DR Website	11
2.8 Technical Assistance and Trainings.....	11
2.8.1 Technical Assistance	11
2.8.2 Training.....	12
2.8.3 CDBG-DR Frequently Asked Questions (FAQ) Guide.....	12
2.8.4 HUD Exchange Trainings and Resources	13
2.9 Policies and Procedures	13
2.10 Subrecipient Reporting.....	14
2.11 Monitoring and Audits.....	14
2.11.1 Subrecipient Monitoring.....	14
2.11.2 Single Audits	14
2.11.3 Other Subrecipient Audit and Monitoring Requirements	14
2.12 Closeout	15
2.13 Noncompliance	15
3 Compliance and Requirements	16
3.1 National Objectives.....	16

- 3.1.1 Benefit to Low- and-Moderate-Income Persons or Households.....17
- 3.1.2 Elimination of Slums and Blight.....23
- 3.1.3 Urgent Need (UN).....24
- 3.1.4 Documenting National Objectives24
- 3.2 Income Determinations 26**
- 3.2.1 Income Determination Methods26
- 3.2.2 CPD Income Eligibility Calculator26
- 3.3 Duplication of Benefits 26**
- 3.3.1 Common Examples of DOB27
- 3.3.2 How to Calculate DOB27
- 3.4 Tie-Back to the Disaster 28**
- 3.4.1 Tie-Back for Mitigation Activities28
- 3.5 Eligible Activities 28**
- 3.5.1 Eligible Activities in the HCDA29
- 3.5.2 Eligible Activities in the Federal Register Notice.....29
- 3.5.3 Common Eligible CDBG-DR Activities29
- 3.5.4 CDBG-DR Mitigation Set-Aside Activities30
- 3.5.5 Ineligible Activities31
- 3.6 Financial Management 31**
- 3.6.1 Uniform Administrative Requirements31
- 3.6.2 Financial Management Overview.....31
- 3.6.3 Components of Financial Management Systems32
- 3.6.4 Internal Controls32
- 3.6.5 Accounting Records and Systems33
- 3.6.6 Cost Principles35
- 3.6.7 Timely Expenditure of Funds.....36
- 3.6.8 Program Income.....37
- 3.7 Procurement 38**
- 3.7.1 Methods of Procurement38
- 3.7.2 Cost or Price Analysis39
- 3.8 Recordkeeping..... 40**
- 3.8.1 Record Management.....40
- 3.8.2 Record Retention.....41
- 3.8.3 Record Accessibility.....42
- 3.9 Federal Crosscutting Requirements 42**
- 3.9.1 Civil Rights and Fair Housing; Employment and Contracting Opportunities42
- 3.9.2 Debarment and Suspension42
- 3.9.3 Anti-Lobbying Restrictions.....42
- 3.9.4 Minority and Women Owned Business Enterprises (M/WBE).....43
- 3.9.5 Labor Standards43
- 3.9.6 Section 3 of the Housing and Urban Development Act of 196844
- 3.9.7 Affirmatively Furthering Fair Housing45
- 3.9.8 Civil Rights and Non-Discrimination45

3.9.9 Environmental Review46

3.9.10 Lead Based Paint.....48

3.9.11 Considerations for Crosscutting Requirements and Pre-Award Costs.....48

3.9.12 Flood Insurance Requirements.....49

3.9.13 Uniform Relocation Act (URA).....49

3.9.14 Property Management and Distribution49

3.9.15 Limited English Proficiency50

3.9.16 Anti-Fraud, Waste, Abuse or Mismanagement.....50

3.9.17 Conflict of Interest51

3.9.18 Personally Identifiable Information (PII) and Confidentiality.....52

3.9.19 Citizen Complaints52

1 Introduction

1.1 Overview

This **Subrecipient Management Manual (Manual)** provides guidance to subrecipients that enter into a Subrecipient Agreement (**SRA**) with the Alabama Department of Economic and Community Affairs (**ADECA**) for the administration and implementation of programs funded by the Community Development Block Grant – Disaster Recovery (**CDBG-DR**) Program.¹ The Manual is intended to summarize policy regarding ADECA management and oversight of subrecipients' activities as well as to provide subrecipients with general information and expectations for compliance.

This Manual is divided into the following three sections:



1.2 Purpose

Effective subrecipient management is critical to compliance with Federal regulations and aims to strengthen local capacity and recovery efforts in disaster affected communities throughout the State of Alabama. Conversely, improper administration of CDBG-DR funds may result in wasted funds, missed opportunities, and funds recaptured due to non-compliance, thereby reducing the potential for a more robust recovery not only locally, but Statewide. Through strong partnerships between ADECA and its subrecipients, clearly defined roles and responsibilities, and technical assistance, monitoring, and other trainings and resources, potential negative outcomes can be avoided, and successful outcomes can be facilitated.

1.3 Related Policies and Guidance

Although portions of this Manual include complex Federal regulations, this Manual is meant to *summarize* essential elements for effective and compliant administration and implementation of CDBG-DR funded programs by ADECA's subrecipients. In addition to multiple resources cited throughout this Manual, including those published by HUD, ADECA and other sources, the following key documents supplement the contents of this Manual:

- **CDBG-DR Action Plan:** HUD required document containing an unmet needs assessment and funding allocations for programs in response to the applicable disasters.
- **ADECA CDBG-DR Grant Administration Manual:** Contains grant-wide policies applicable to ADECA staff and its subrecipients across all programs and aspects of grant management.

¹ Active Disaster Grants information can be found at <https://www.hudexchange.info/programs/cdbg-dr/cdbg-dr-grantee-contact-information/#all-disasters>.

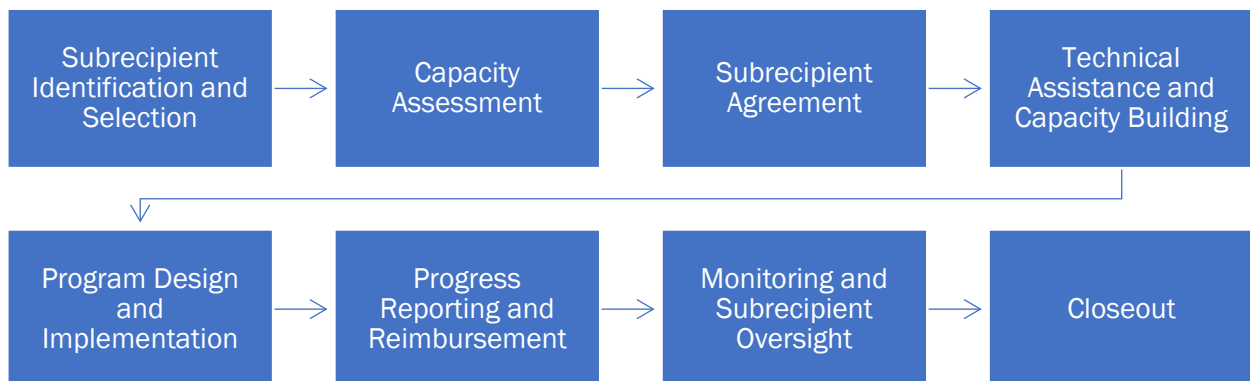
- **Program Guidelines:** Contain guidelines and requirements unique to each of ADECA’s CDBG-DR funding programs.

2 Grant Management Lifecycle

2.1 Overview

The following depicts the lifecycle of CDBG-DR award to subrecipients and is summarized as follows. Each of the following are described further in this Manual in greater detail.

1. ADECA will select subrecipients through a Method of Distribution (**MOD**) in the CDBG-DR Action Plan, directly or through a competitive process, such as a Notice of Funding Availability (**NOFA**).
2. ADECA will perform a capacity assessment of each subrecipient to identify any gaps in capacity that should be remedied to avoid non-compliance.
3. ADECA will enter into an SRA with each subrecipient that will contain the terms and conditions of the CDBG-DR award.
4. ADECA will provide training and technical assistance to strengthen each subrecipients’ capacity and understanding of applicable requirements and regulations.
5. The subrecipient will implement the program in accordance with the SRA and ADECA’s policies and procedures.
6. The subrecipient will submit progress reports and requests for reimbursement throughout the SRA lifecycle, as required by ADECA.
7. ADECA will regularly communicate with the subrecipient and perform monitoring and oversight of the subrecipient’s program.
8. Once all terms and conditions of the SRA have been met, ADECA will work with the subrecipient to closeout the SRA and ensure all records are retained.



Most of the topics listed above are described in [HUD’s Managing CDBG: Guidebook for CDBG Grantees on Subrecipient Oversight](#) updated December 2021 (published February 2022). HUD has also developed the following training for [Managing and Monitoring Subrecipients](#).

2.2 Subrecipients

A subrecipient² is an entity that receives a subaward from a pass-through entity (ADECA or one of ADECA's subrecipients if allowed by ADECA) to carry out part of a Federal award. Unless otherwise noted, the term “**subrecipient**” will be used throughout this Manual to denote entities that ADECA selected as subrecipients to receive CDBG-DR funds pursuant to an executed SRA.

2.2.1 What is a Subrecipient?

- Governmental entities, such as government agencies and local governments
- Private Non-profit organizations
- Private For-profit organizations for certain economic development activities³
- Community Based Development Organizations (**CBDOs**) for certain economic development new housing construction activities⁴

2.2.2 What is not a Subrecipient?

- Contractor⁵ of competitively procured services
- Developer (either a non-profit or for-profit entity)
- Privately or publicly held for-profit entity receiving funds as a beneficiary under a program

2.3 Roles and Responsibilities

2.3.1 Subrecipient Responsibilities

Although ADECA, as the grantee, is ultimately responsible⁶ for subrecipient compliance and performance, subrecipient responsibilities include:

- Implementing CDBG-DR programs on behalf of ADECA
- Complying with all Federal and State statutes, regulations, program requirements, waivers and alternative requirements contained in the Federal Register,⁷ ADECA's policies and procedures, and local ordinances
- Obtaining all necessary Federal, State, and local permits and licenses required to execute the program
- Complying with all terms and conditions of the SRA
- Meeting established performance goals and timeliness requirements
- Demonstrating capacity to implement programs, and working with ADECA to strengthen capacity, where needed
- For competitive programs, meeting ADECA's subrecipient selection criteria

Failure to comply with any of the above may result in various sanctions up to and including the forfeiture of the CDBG-DR funding provided to the subrecipient under an SRA, repayment of funds from non-Federal sources, and/or termination of the SRA.

² Subrecipients are defined at 24 C.F.R. § 570.500(c).

³ Eligible activities can be found at 24 C.F.R. § 570.201(o).

⁴ Eligible activities can be found at 24 C.F.R. § 570.204.

⁵ The difference between subrecipients and contractors can be found at 2 C.F.R. § 200.331.

⁶ Grantee responsibilities can be found at 24 C.F.R. § 570.501.

⁷ All CDBG-DR Federal Registers can be found here: <https://www.hudexchange.info/programs/cdbg-dr/cdbg-dr-laws-regulations-and-federal-register-notice/>

2.3.2 ADECA Responsibilities

ADECA is responsible for overall compliance of all CDBG-DR funded programs, including subrecipients' compliance and performance. With respect to subrecipient oversight and management, ADECA is responsible for:

- Establishing policies and procedures to allow for a clear understanding of requirements
- Developing written guidance and trainings, and providing technical assistance to strengthen subrecipient capacity and understanding of requirements
- Monitoring subrecipients for compliance throughout the lifecycle of the grant
- Maintaining open lines of communication between ADECA and subrecipient staff to ensure a successful and compliant recovery effort

2.4 Subrecipient Selection

The following describes how ADECA and its subrecipients (if allowed by ADECA) may select their own subrecipients to receive CDBG-DR funding to administer and implement CDBG-DR funded programs.

2.4.1 Method of Distribution (HHMID Areas)

ADECA used a Method of Distribution (MOD) in CDBG-DR Action Plan for selecting some subrecipients. A MOD describes how ADECA will allocate its CDBG-DR funds to disaster affected areas within the State. States have many options for allocation and may use a combination of approaches. The following are a few examples:

- Mini-entitlement designated by the State
- Competitive with specific criteria
- Regional “fair share” approach

2.4.2 Direct Selection

ADECA and its subrecipients have the discretion to directly identify and select subrecipients to carry out the desired CDBG-DR program/activities and approach them directly to determine their interest and suitability for the work. Direct selection may occur when:

- An entity is uniquely qualified due to having sole jurisdiction over project or complete control/ownership over a project site;
- There is reasonable basis to conclude that a subrecipient will result in increased capacity and efficiencies that produce faster and compliant results, thereby more quickly addressing the unmet need; or
- It can be reasonably concluded that the minimum project needs of the program can be satisfied by the selected subrecipient.

2.4.3 Competitive Selection Models

ADECA and its subrecipients may select subrecipients via competitive methods, such as through a Notice of Funding Availability (NOFA) and other methods, that invite eligible entities to apply for CDBG-DR funds for clearly defined and eligible activities. Such methods must be advertised and contain clear criteria for submission, evaluation, awards, and other key information and requirements.

2.5 Capacity Assessment

ADECA is responsible⁸ for determining the capacity of its subrecipients to perform under SRAs, and each subrecipient's capacity must be assessed before any work begins.⁹ This also applies to any subrecipient of ADECA's selecting their own subrecipients. A comprehensive capacity assessment, prior to the selection of a subrecipient, helps reduce the risk of future issues and increases the chance of success. To that end, all subrecipients will be assessed for capacity in the following areas:

- Grant management history (track record)
- Past monitoring reports
- Internal and external audits (i.e., Office of Inspector General (**OIG**))
- Ability to comply with Federal rules and regulations (capacity)
- Staffing (New or experienced staff and turnover rate)
- Program and activity experience/knowledge of CDBG and CDBG-DR
- Management of similar programs/activities

2.5.1 Results of Capacity Assessment

Based on the results of the capacity assessment, special conditions may be included in the SRA with as a condition of funding approval. These special conditions are meant to ensure the subrecipient is willing and committed to working with the pass-thru entity to improve any deficiencies identified during the capacity assessment process, including staff hiring and training, the development of policies and procedures, and other similar provisions.

2.6 Subrecipient Agreement

The SRA is the basis for the contractual obligation¹⁰ between ADECA and the subrecipient to fund and implement the awarded activity or program. The agreement contains responsibilities attributable to each party and outlines the scope of services allowed for under the agreement, methods of accountability, and a schedule for payment, among other requirements. Execution of the agreement binds the subrecipient for a specified period of time (term) and may be revised only upon written authorization from ADECA.

The subrecipient must comply with all Federal, State, and local codes, regulations, statutes, ordinances, and laws applicable to the administration of CDBG-DR funds. Failure to comply may result in forfeiture of CDBG-DR funds provided to the subrecipient as part of the SRA. Subrecipient Agreements include the following:

- Legal means to convey all applicable requirements, roles, and responsibilities¹¹
- Statement of work/scope of services as included in the SRA and pertinent exhibits
- Period of performance
- Records to be maintained, reports to be submitted
- Uniform administrative/ financial and crosscutting requirements
- Provisions on budgeting, program income, suspension/termination, reversion of assets and enforcement

⁸ Responsibility for grant administration can be found at 24 C.F.R. § 570.501.

⁹ 2 C.F.R. § 200.332(b).

¹⁰ Information regarding agreements with subrecipients can be found at 24 C.F.R. § 570.503.

¹¹ 24 C.F.R. § 570.503.

- Provisions on payments to subrecipients based on the reimbursement basis
- Provisions regarding compliance with Federal and local statutes and regulations and terms and conditions of the CDBG-DR Federal awards and additional ADECA requirements

2.7 Communications with Subrecipients

A successful partnership, and recovery, requires open and consistent communications between ADECA and subrecipients.¹² ADECA shall ensure effective communication with the subrecipients through regular and recurring in-person and remote meetings, and through email, phone, and written communications.

2.7.1 ADECA Grant Managers

Each subrecipient will be assigned an ADECA grant manager which will serve as the subrecipient's ADECA Point of Contact (POC). Grant managers will work with subrecipients to establish effective methods of communication, and the process for the exchange of documents, information, and guidance. After the execution of the SRA and prior to the first deliverable, the subrecipient and ADECA grant manager will hold an initial meeting to educate the subrecipient about the basic rules under which all CDBG-DR activities must operate, and to provide an opportunity to establish clear expectations with respect to performance standards, policies, and procedures.

2.7.2 ADECA CDBG-DR Website

HUD requires¹³ ADECA to maintain a public website that permits individuals and entities awaiting assistance and the general public to see how all grant funds are used and administered. The ADECA CDBG-DR website includes:

- The CDBG-DR Action Plan created using HUD's Disaster Recovery Grant Reporting (DRGR) system (including all amendments)
- Each Quarterly Performance Report (QPR) generated by the DRGR system
- ADECA's Citizen Participation Plan (CPP)
- The CDBG-DR Grant Administration Manual (GAM) - *Pending*
- Program Guidelines
- Procurement Policies and Procedures
- All contracts that, exceed the micro-purchase threshold and will be paid with CDBG-DR funds including SRAs; and a summary including the description and status of services or goods currently being procured by ADECA or its subrecipients (e.g., phase of the procurement, requirements for proposals, etc.)

2.8 Technical Assistance and Trainings

2.8.1 Technical Assistance

ADECA will provide ongoing technical assistance to subrecipients to support the compliant implementation of the programs and to ensure timely performance and expenditure of funds. Technical assistance may be provided to all subrecipients as a group or individually, on a scheduled basis, on an ad-hoc basis determined by capacity assessments and/or previous performance, or at the subrecipient's request.

¹² 87 FR 6364.

¹³ 87 FR 6364.

2.8.2 Training

For all new subrecipients, ADECA will provide or make available a series of introductory subrecipient trainings that cover the topics such as those described in the table below. In addition, both ADECA and subrecipients are required to attend fraud related training provided by the HUD Office of Inspector General to assist in the proper management and use of CDBG-DR grant funds.¹⁴

Topic	Description
CDBG-DR Basics	Participants will learn the basic requirements for CDBG-DR, eligible disaster activities, national objectives requirements and the waiver process.
Fair Housing & Equal Opportunity	Introduces the Federal compliance statutes and Federal guidance on Fair Housing, Equal Opportunity and related requirements, their applicability, and what triggers the need to comply for different programs.
Davis-Bacon	Introduces the Federal compliance statutes and other Federal guidance on Davis-Bacon, its applicability, and what triggers the need to comply.
Section 3 & M/WBE	Introduces the Federal compliance statutes and other Federal guidance on Section 3 and M/WBE, its applicability, and what triggers the need to comply.
Environmental	Introduces Environmental Review requirements typically associated with CDBG-DR activities, timing and planning considerations for compliance, and tips and resources available to subrecipients.
Procurement	Provides an overview of procurement requirements, allowable methods of procurement, and Conflict of Interest concepts relevant to procurement processes.
Financial Management	Provides an overview of Financial Management requirements at 2 C.F.R. § 200, including accounting methods and records, cost principles, and other requirements.
Recordkeeping	Introduce recordkeeping requirements and processes, including access to records and records retention.
Anti-fraud, Waste, Abuse & Mismanagement	Introduces Anti-fraud, Waste, Abuse and Mismanagement requirements and processes.
Citizen Complaints	Introduces compliance requirements for the filing and handling of citizen complaints.
Personally Identifiable Information (PII)	Introduces requirements for the protection of personally identifiable information (PII).

2.8.3 CDBG-DR Frequently Asked Questions (FAQ) Guide

ADECA has developed a [Frequently Asked Questions \(FAQ\) Guide](#) to provide subrecipients simple answers to the most frequently asked questions related to the CDBG-DR program and its implementation. The FAQ includes the various topics described in this Manual, such as monitoring,

¹⁴ 87 FR 6364.

national objectives, eligible activities, duplication of benefits, financial management, procurement, and crosscutting requirements.

2.8.4 HUD Exchange Trainings and Resources

Subrecipients are highly encouraged to regularly visit the [HUD Exchange](#) webpage, which contains several helpful resources for CDBG-DR grantees and subrecipients, including but not limited to the resources listed below. **Note:** HUD does not typically remove older/obsolete training and resources, so the requirements and guidance contained in resources on the HUD Exchange may have been updated since they were initially published. Contact your Grant Manager if you have questions about the applicability of the requirements contained in the resources on the HUD Exchange.

- [Register](#) for HUD Exchange
- [Sign up for Listserv](#) announcements, which includes updates for new training opportunities and resources
- [Ask-A-Question \(AAQ\)](#) which allows grantees and subrecipients to submit policy and other topic-specific questions
- [Interactive CDBG-DR Guidebook on Understanding the Consolidated Notice](#)
- [New Guidance for 2020 and 2021 CDBG-DR Grantees](#)
- [CDBG-DR Fact Sheet](#)
- [CDBG-DR Overview Presentation](#)
- [CDBG and CDBG-DR: A Comparison](#)
- [Key Things to Do When You Receive CDBG-DR Funds](#)
- [Other Key Guidance](#)
- [Laws, Regulations, and Federal Register Notices](#)
- [CPD Notices](#)
- [DRGR: Disaster Recovery Grant Reporting System](#)
- [CDBG-DR Trainings and Resources](#)

In addition, the following CDBG-DR Clinic resource pages provide dozens of trainings and materials on many of the topics covered in this Manual:

- [2017 CDBG-DR Problem Solving Clinic](#)
- [2018 CDBG-DR Problem Solving Clinic](#)
- [2019 CDBG-DR Problem Solving Clinic](#)
- [2022 CDBG-DR Problem Solving Clinic](#)
- [2023 CDBG-DR Problem Solving Clinic](#)

2.9 Policies and Procedures

Subrecipients must update their policies and procedures in order to comply with policies contained in the ADECA CDBG-DR Grant Administration Manual. Additionally, for the implementation of recovery and mitigation programs, subrecipients may be required to adopt and implement specific ADECA CDBG-DR program policies. The SRA will indicate which ADECA CDBG-DR policies are required to be adopted and implemented, and those that may already exist within each subrecipient's governmental structure but must be updated to comply with all applicable requirements. The required policies may be amended from time to time, as needed.

2.10 Subrecipient Reporting

Subrecipients are required to submit regular progress reports to ADECA. These reports are meant to detail regular progress and related administrative matters and activity performance of the subrecipient and to meet ADECA's reporting¹⁵ requirements to HUD. ADECA grant managers will review and evaluate the reports to determine if subrecipients are carrying out activities contained in the SRA and performing in a timely and productive manner. Additionally, accomplishments for key deliverables and activities, schedule changes, expenses, disbursements, program income, and other transactions involving grant funds will be monitored for compliance. Reporting requirements and frequency will be established in the SRA.

2.11 Monitoring and Audits

2.11.1 Subrecipient Monitoring

HUD requires ADECA to monitor its subrecipients based on a risk assessment to ensure that the funds allocated to subrecipients are used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the SRA.¹⁶ Through monitoring efforts, these funds, and their results are safeguarded. A lack of or insufficient monitoring risks sanctions, up to and including the loss of CDBG-DR funds. To ensure subrecipients are properly carrying out activities, ADECA has oversight mechanisms in place to track progress and monitor performance. ADECA's monitoring of subrecipients is required to ensure that:

- Subawards are used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward
- Subaward performance goals are achieved

Subrecipient monitoring events, whether on-site or remote, will include a review of policies, procedures, and records related to the implementation of CDBG-DR funded activities, including but not limited to, financial, accounting, procurement, construction, and beneficiary records. The results of the monitoring, including any findings, concerns, and corrective actions, will be documented in a Monitoring Report, with deadlines for the subrecipient to resolve any findings. Failure to adequately respond to the monitoring report may result in the suspension or termination of the SRA. The ADECA CDBG-DR Monitoring Manual (*Pending*) governs all subrecipient monitoring events.

2.11.2 Single Audits

Subrecipients that expend more than \$750,000 of Federal funds in a fiscal year must perform a single audit¹⁷ and submit the audit to ADECA as required or upon request, such as during capacity assessments and monitoring events. Subrecipients found to be in material non-compliance with a single audit may be subject to sanctions or corrective actions, as per the terms of the SRA.

2.11.3 Other Subrecipient Audit and Monitoring Requirements

Subrecipients are also required to perform internal audits and monitoring of their CDBG-DR funded activities, including monitoring and oversight of their own staff performing CDBG-DR funded duties, and contracts and subrecipients (sub-tier subrecipients) funded with CDBG-DR funds. The results of monitoring of sub-tier subrecipients are subject to review by ADECA.

¹⁵ 87 FR 6364.

¹⁶ 2 C.F.R. § 200.332(d).

¹⁷ 2 C.F.R. § 200.501(a).

2.12 Closeout

Once a subrecipient determines it has satisfied the terms and conditions of its SRA, the subrecipient may request ADECA to initiate the close-out process. The closeout process includes steps taken to ensure that the subrecipient:

- Expend all grant funds in accordance with needs or return funds
- Updates accomplishments data to reflect all activities completed (or canceled)
- Updates the performance measures for actual versus proposed

ADECA will work with all subrecipients to ensure all closeout requirements, as described in the SRA, are met prior to releasing the final payment to the subrecipient. Subrecipients' obligation to ADECA does not end until all closeout requirements are met. The ADECA CDBG-DR grant managers and monitoring staff are primarily responsible for ensuring closeout requirements are met. The closeout process includes, but is not limited to:

- Subrecipients must transmit to ADECA all required records that are sufficient to demonstrate that all incurred cost by the subrecipient met the requirements of the SRA
- Subrecipients shall maintain financial records, supporting documents, statistical records, and any other records pertinent to any subaward for the longer of three (3) years after the termination of the subrecipient agreement with ADECA, or five (5) years after the close-out of the CDBG-DR grant agreement between ADECA and HUD
- Subrecipients must execute all final payments related to the grant to corresponding vendors and employees prior to final payment by ADECA
- Subrecipients must resolve all outstanding findings issued by ADECA, HUD, and HUD OIG
- Subrecipients must repay all funds subject to recapture and must forfeit any unspent CDBG-DR funds
- Subrecipients must dispose of all program assets, including the return to ADECA of all unused materials, equipment, unspent cash advances, program income balances, and accounts receivables attributable to the use of CDBG-DR funds
- Any real property under the subrecipient's control that was acquired or improved in whole or in part with CDBG-DR funds (including CDBG-DR funds provided to the subrecipient in the form of a loan) shall meet all applicable requirements¹⁸

2.13 Noncompliance

In the event a subrecipient does not comply with applicable policies and procedures, program guidelines, this Manual, the SRA, and all other requirements, ADECA may take such actions as may be appropriate to prevent a continuance of the deficiency, mitigate any adverse effects or consequences, and prevent a recurrence.¹⁹ Additional remedies²⁰ may be required if the subrecipient presents a risk, a history of noncompliance, or fails to meet performance goals. Through documented oversight efforts, grant managers will ensure that necessary actions are followed when nonperformance, lack of progress, or instances of possible non-compliance are identified. In such cases, ADECA may generally proceed as follows:

¹⁸ 24 C.F.R § 570.503 (b)(7).

¹⁹ 87 FR 6364.

²⁰ 2 C.F.R. § 200.339.

- Written notification sent to subrecipient which may include a Statement and explanation of instance of non-performance, lack of progress or possible non-compliance and corrective action. Such notification is intended to provide subrecipient with a term for corrective action. ADECA and the subrecipient may work together to identify a solution and will develop a plan to meet the performance requirements.
- ADECA may impose a recovery plan in the event that subrecipient is unable to provide corrective action based on the above; and/or initiate suspension or termination²¹ of SRA and recapture of funds in accordance with the provisions found therein.

3 Compliance and Requirements

3.1 National Objectives

The Housing and Community Development Act of 1974 (**HCDA**), as amended, 42 U.S.C § 5305, the authorizing statute of the CDBG-DR program, requires that each CDBG-DR funded activity except for program administration and planning activities²² must meet one of three national objectives.

The three National Objectives²³ are:

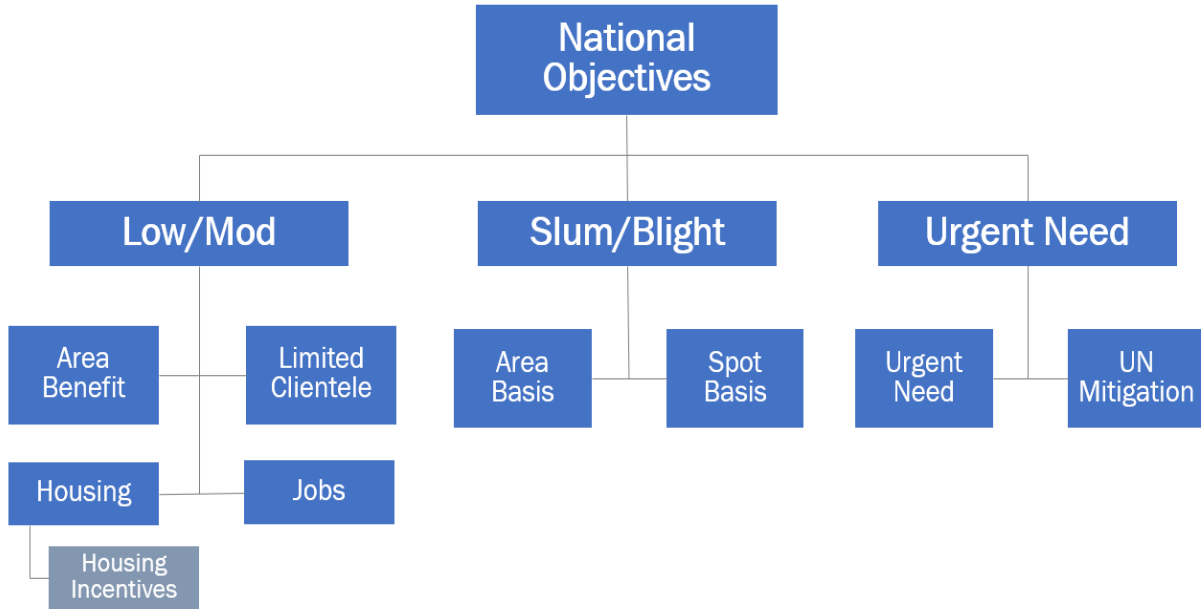
- Benefit to low- and moderate- income (**LMI**) persons
- Aid in the prevention or elimination of slums or blight
- Meet a need having a particular urgency (referred to as urgent need)

An activity that does not meet a National Objective is not compliant with CDBG-DR requirements and may be subject to remedial actions, including recapture or repayment of CDBG-DR funds to ADECA and/or HUD.

The following depicts the different ways subrecipients can meet one of the three National Objectives.

²¹ 24 C.F.R. § 570.503(b)(6) – Suspension and Termination.

²² Exceptions to national objective requirements for administration and planning activities can be found at 24 C.F.R. § 570.208(d)(4).



In addition, the following sections of this Manual provide a summary of criteria for meeting each National Objective. For more information on National Objectives, see:

- [Managing CDBG A Guidebook for CDBG Grantees on Subrecipient Oversight, Appendix 1-14](#)
- [Basically CDBG, Chapter 3](#)
- [Guide to National Objectives and Eligible Activities for CDBG Entitlement Communities, Chapter 3](#)
- Specific National Objective criteria is also contained in each of ADECA’s Program Guidelines and applicable Action Plan

3.1.1 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 ADECA expend 70 percent of its CDBG-DR funds to meet the LMI national objective. This section covers the four categories that can be used to meet the LMI national objective:

LMA Low Mod Area Benefit

- Examples include infrastructure projects, public facility improvements, and buyouts to create open space in perpetuity.

LMC Limited Clientele

- Examples include public services, public facility improvements, microenterprise assistance and job training programs

LMH Low Mod Housing

- Examples include housing rehabilitation, reconstruction and new construction, residential buyouts, down payment assistance, and housing incentives.

LMJ Low Mod Jobs

- Examples include economic development activities, such as assistance to businesses for working capital, that creates or retains Low Mod Jobs.

3.1.1.1 Low Mod Area Benefit (LMA)

The area benefit category is allowable for activities that benefit a residential neighborhood. 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:

- Rehabilitation or reconstruction of public facilities
- Improvements to public infrastructure
- Buyout of properties to create open space in perpetuity

The activities listed above benefit all LMI residents in a service area and thus are the type of activities that may qualify under the LMI area benefit category for the purposes of meeting a national objective.

3.1.1.1.1 Determining the Service Area

Subrecipients are responsible for determining the service area of an activity. The factors that may be considered in making a determination regarding the service area include:

- **The nature of the activity:** In general, the size and the equipment associated with the activity should be taken into consideration. A small park with a limited number of slides and benches would not be expected to serve the entire neighborhood. In the same way, a larger park that can accommodate a considerable number of people would not be expected to service just the immediately adjacent properties. The same applies to improvements or assistance to an alleyway versus a small two-lane street versus an arterial four-lane street within the same neighborhood. The service area for each of these infrastructure projects will be different in size and population.
- **The location of the activity:** In general, the immediate area surrounding a facility is expected to be included in the service area. Additionally, when a facility is located near the boundary of

a particular neighborhood, its service area could likely include portions of the adjacent neighborhood as well as the one in which it is located.

- **Accessibility issues:** Geographic barriers can separate and preclude persons residing in a nearby area from taking advantage of a facility. Other limits to accessibility can include access fees, language barriers, time or duration that an activity is available, access to transportation and parking, etc.
- **The availability of comparable activities:** Comparable activities within the service area should be taken into account so that the service area does not overlap with the service area of another comparable activity.
- **Boundaries for facilities and public services:** The service area for some public facilities and services are determined based on specified and established boundaries or districts. Examples of such services and facilities are police precincts, fire stations, and schools.

3.1.1.1.2 Determining the LMI Concentration of a Service Area

An area is considered to meet the test of being LMI if there is a sufficiently large percentage (51 percent or more) of LMI persons residing in the service area as determined by:

- The most recently available decennial Census/American Community Survey information, together with the Section 8 income limits that would have applied at the time the income information was collected by the Census Bureau; or
- A current survey of the residents of the service area.

3.1.1.1.3 Determining the LMI Concentration of a Service Area using Census Data

If the proposed activity's service area is generally the same as the census tracts or block groups, then the Census data may be used to justify the income characteristics of the area served. To document that the service area qualifies, subrecipients can obtain the following HUD-published data:²⁴

- A listing of all census/American Community Survey tracts and block groups in the community's jurisdiction
- The number of persons that resided in each such tract/block group at the time of the last census/American Community Survey
- The percentage of such persons who were LMI (based on the CDBG definition) at that time

3.1.1.1.4 Determining the LMI Concentration of a Service Area using a Survey

Income surveys are often used to determine LMI area in one of two instances:

- If HUD data does not indicate the service area contains at least 51 percent LMI persons, and if a subrecipient decides it would be more appropriate to use a survey that is methodologically sound. This could be based on a change in either population or income of the area since the Census was performed. For example:
 - Economic changes such as plant openings or closings (i.e., causing massive income increases or massive job losses in the area);
 - Non-geographic changes such as natural disasters; and/or
 - Recent demographic changes not reflected in current data (e.g., population migration changes).

²⁴ Census Tract and Block Group data for the purposes of determining the LMI percentage of a service area data can be found at <http://www.hud.gov/offices/cpd/systems/census/lowmod/>.

- When the service area is not generally the same as a census tracts or block groups, then the subrecipient should conduct household surveys to determine the LMI percentage for the service area.

The following are typical steps in the household survey process:²⁵

- Determine sample size (including the random sampling process for selecting participants and if necessary, replacements)
- Select a survey instrument
- Develop the questionnaire
- Conduct the survey
- Analyze the results
- Document and save survey results

3.1.1.2 Low Mod Limited Clientele (LMC)

The limited clientele category is a second way to qualify specific activities under the LMI benefit national objective. Under this category, 51 percent of the beneficiaries of an activity have to be LMI 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. Activities in this category provide benefits to a specific group of persons rather than everyone in an area. It may benefit particular persons without regards to their residence, or it may be an activity that provides a benefit to only particular persons.



Examples of activities that qualify under the limited clientele category include:

- Acquisition of a building to be converted into a shelter for the homeless
- Rehabilitation of a center for training severely disabled persons to enable them to live independently
- Clearance of a structure from the future site of a neighborhood center that will exclusively serve the elderly
- Public services activities like the provision of health services

The listed examples qualify under the limited clientele category because the beneficiaries can be identified as LMI residents.

3.1.1.2.1 Determining the Beneficiaries of LMC Activities

To determine the beneficiaries of activities as LMI and qualifying under the limited clientele category, activities must meet one of the following tests:

- Benefit a clientele that is generally presumed to be principally LMI. This presumption covers abused children, battered spouses, elderly persons, severely disabled adults, homeless persons, illiterate adults, persons living with AIDS and migrant farm workers; or
- Require documentation on family size and income in order to show that at least 51 percent of the clientele are LMI; or

²⁵ CPD Notice 14-013 contains guidelines for conducting income surveys to determine the LMI percentage of persons in a service area.

- Have income eligibility requirements limiting the activity to LMI persons only; or
- Be of such a nature and in such a location that it can be concluded that clients are primarily LMI. An example is a day care center that is designed to serve residents of a public housing complex.

3.1.1.2.2 Eligible LMC Activities

The following activities may qualify under the limited clientele national objective:

- Public service activities including services for seniors, childcare, employment training, and other services
- Microenterprise activities carried out in accordance with the HUD regulations when the person owning or developing the microenterprise is LMI
- Removal of architectural barriers to mobility for elderly persons or the severely disabled will be presumed to qualify under this category if it is restricted, to the extent practicable, to the removal of such barriers by assisting the reconstruction of a public facility or improvement, or portion thereof that does not qualify under the area benefit category

There are two sets of activities that are precluded from qualifying under this category based on statutory limitations:

- Acquisition, construction, or rehabilitation of property for housing, including homeownership assistance must qualify under the housing national objective
- Creation or retention of jobs generally qualify under the jobs category of the LMI benefit national objective

3.1.1.3 Low Mod Housing Activities (LMH)

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. The CDBG-DR Federal Register also expands the use of the LMH national objective to include residential buyouts and housing incentives.



Examples of eligible activities include, but are not limited to:

- 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
- Buyout of residential properties to remove the current residents from the risk of a future disaster
- Housing payments to incentivize residents to relocate to areas less prone to natural disasters

There are a number of activities that generally do not qualify under the LMI Housing national objective. These include code enforcement, interim assistance, microenterprise assistance, public services, and special economic development activities.

3.1.1.3.1 Meeting the Low Mod Housing (LMH) National Objective

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.

- 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 ADECA

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

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

3.1.1.3.2 Meeting the Low Mod Income (LMI) National Objective for Buyouts

Buyouts refers to the acquisition of properties located in a floodway, floodplain, or other Disaster Risk Reduction Area that is intended to reduce risk from future hazards. When undertaking buyout activities, to demonstrate that a buyout meets the LMI national objective, buyout programs can be structured in one of the following ways:

- The buyout activity combines the acquisition of properties with another direct benefit LMH housing activity, such as down payment assistance, that results in occupancy and otherwise meets the applicable LMH national objective criteria;
- The activity meets the LMA benefit criteria and documents that the acquired properties will have a use that benefits all the residents in a particular area that is primarily residential, where at least 51 percent of the residents are LMI persons; or
- The program meets the criteria for the LMC national objective by restricting buyout program eligibility to exclusively LMI persons and benefiting LMI sellers by acquiring their properties for more than current fair market value.

3.1.1.3.3 Meeting the Low Mod Housing Incentive (LMHI) National Objective

A safe housing incentive is any incentive provided to encourage households to relocate to suitable housing in a lower risk area or in an area promoted by the community's comprehensive recovery plan. The LMHI national objective may be used when subrecipient uses CDBG-DR funds to carry out a safe housing incentive activity that benefits one or more LMI persons. To meet the LMHI national objective, the incentive must be:

- Tied to the voluntary acquisition of housing (including buyouts) owned by a qualifying LMI household and made to induce a move outside of the affected floodplain or disaster risk reduction area to a lower-risk area or structure; or
- For the purpose of providing or improving residential structures that, upon completion, will be occupied by a qualifying LMI household and will be in a lower risk area.

3.1.1.4 Low Mod Job Creation or Retention Activities (LMJ)

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



Examples of activities that qualify when at least 51 percent of jobs created/retained will be for LMI persons include:

- Clearance activities on a site slated for a new business
- Rehabilitation activity that will correct code violations and enable a business to survive and retain jobs
- Financial assistance to a manufacturer for the expansion of its facilities that is expected to create permanent jobs
- Assistance to expand a small house cleaning service with four employees that agrees to hire three additional LMI employees

3.1.1.4.1 Documenting LMI Jobs Created or Maintained

The following requirements must be met for jobs to be considered created or retained.

- If a subrecipient fund activities that create jobs, there must be documentation indicating that at least 51 percent of the jobs will be held by, or made available to, LMI persons.
- For funded activities that retain jobs, there must be sufficient information documenting that the jobs would have been lost without the CDBG assistance and that one or both of the following applies to at least 51 percent of the jobs:
 - The job is held by a LMI person (the person income-qualified if the annual wages or salary of the job is at or under the HUD-established income limit for a one-person family); 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.

3.1.1.4.2 Documenting Jobs Made Available and Held by LMI Persons

The following requirements apply for jobs to be considered available to or held by LMI persons.

- Created or retained jobs are only considered to be available to LMI persons when:
 - Special skills that can only be acquired with substantial training or work experience or education beyond high school are not a prerequisite to fill such jobs, or the business agrees to hire unqualified persons and provide training; and
 - The subrecipient and the assisted business take actions to ensure that LMI persons receive first consideration for filling such jobs.
- Created or retained jobs are only considered to be held to LMI persons when the job is actually held by a LMI person.

3.1.2 Elimination of Slums and Blight

Use of the slum and blight national objective category is rare. Activities under this national objective are carried out to address one or more of the conditions which have contributed to the deterioration of an area designated as a slum or blighted area.

The focus of activities under this national objective is a change in the physical environment of a deteriorating area. 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 slum and blight national objective, determining the extent of and physical conditions that contribute to blight is central to qualifying an activity.

There are two categories that can be used to qualify activities under this national objective:

- **Prevent or eliminate slums and blight on an area basis.** Activities that aid in the prevention or elimination of slums or blight in a designated area; or
- **Prevent or eliminate slum and blight on a spot basis.** Activities that eliminate specific conditions of blight or physical decay on a spot basis and are not located in a slum or blighted area.

3.1.3 Urgent Need (UN)

The Urgent Need National Objective criteria in section 104(b)(3) of the HCDA was waived and the following alternative requirement for ADECA and its subrecipients using the Urgent Need National Objective for a period of 36 months after the applicability date of Federal Register Notice 87 FR 6364 dated February 3, 2022, was established. ADECA must:

- Describe in the impact and unmet needs assessment of the CDBG-DR Action Plan why specific needs have a particular urgency, including how the existing conditions pose a serious and immediate threat to the health or welfare of the community.
- Identify each program or activity in the CDBG-DR Action Plan that will use the Urgent Need National Objective, either through its initial CDBG-DR Action Plan submission or through a substantial amendment submitted by ADECA within 36 months of the applicability date of 87 FR 6364.
- Document how each program and/or activity funded under the Urgent Need National Objective in the CDBG-DR Action Plan responds to the urgency, type, scale, and location of the disaster-related impact as described in ADECA's impact and unmet needs assessment.

3.1.4 Documenting National Objectives

Subrecipients must maintain records that funded activities meet one of the national objectives. The records depend on the national objective category. The timing of documentation for activities is an important consideration. Compliance with national objectives can be documented upfront for a number of the categories. For example, compliance documentation for the following national objectives can be established upfront:

- Under the national objective of benefit to LMI persons, the LMI area benefit
- Under the national objective of elimination of slums or blight, both categories (area basis, spot basis)
- Under the urgent need national objective

Some national objectives must be documented over time. For example, it is likely that the future occupants of a rental rehabilitation activity cannot be identified up-front. Compliance with the LMI Housing requirement that 51 percent of the occupants must be LMI households, will require collecting

documentation demonstrating compliance during the lease-up period. Likewise, future hires of created jobs cannot be identified, and documentation of compliance cannot be obtained, upfront. Rather, hires by the assisted business must be monitored over a period of time.

The following table summarizes the most common documentation that may be required to document each National Objective. ADECA Program Guidelines will also provide required documentation to meet the allowable National Objective(s) per program.

More information on documenting National Objectives can be found in [Guide to National Objectives and Eligible Activities for CDBG Entitlement Communities, Chapter 3.](#)

National Objective	Required Documentation
LMI Area	<ul style="list-style-type: none"> • Boundaries of service area • Census data including total persons and percentage of LMI • Evidence area is primarily residential • Survey documentation (if applicable)
LMI Limited Clientele	<ul style="list-style-type: none"> • Documentation that the beneficiaries are LMI or presumed to be LMI (by category).
LMI Housing	<ul style="list-style-type: none"> • The size, annual income, and FHEO (Fair Housing and Equal Opportunity) characteristics of households occupying CDBG-assisted and designated LMI units • A copy of the written agreement indicating the total number of dwelling units and the number of LMI units • For rental housing only: <ul style="list-style-type: none"> – Rent charged (or to be charged) after assistance for each assisted unit – Documentation showing the affordability of units occupied (or to be occupied) by LMI households
LMI Job Creation or Retention	<ul style="list-style-type: none"> • Number of jobs created or retained • Type and title of jobs created or retained • For retained jobs, documentation that the jobs would have been lost without the CDBG assistance • Income of persons benefiting from the jobs created or retained; National Objective Documentation is waived. HUD considers the person income-qualified if annual wages or salary is at or under the HUD established income limit for a one-person family²⁶.
Slum and Blight (CDBG-DR)	<ul style="list-style-type: none"> • Area designation (e.g., boundaries, evidence area meets State slum/blight requirements) • Documentation and description of blighted conditions (e.g., photographs, structural surveys, or development plans) • If applicable, evidence that the property meets spot designation requirements (examples may include acquisition and demolition of a dilapidated property, elimination of code violations on a community facility, preservation of a historic property, or financial assistance to a business to demolish a decayed structure).
Urgent Need	<ul style="list-style-type: none"> • Document how each program and/or activity funded under the Urgent Need National Objective in the CDBG-DR Action Plan responds to the urgency, type, scale, and location of the disaster-related impact as described in

²⁶ 87 FR 6364 waived 24 C.F.R. 570.483(b)(4)(i)

National Objective	Required Documentation
	ADECA's impact and unmet needs assessment

3.2 Income Determinations

Income eligibility determination is an important part of documenting national objective compliance for activities carried out with CDBG-DR funds. Generally, direct benefit activities documented under the LMI national objective, such as housing rehabilitation or economic development programs, must be documented as LMI using full income determination and documentation. For individual applicants for assistance, earnings and leave statements, letters identifying the amount of unemployment benefits, and Form 1040 tax forms, for example, may be provided to document income. HUD has developed the following training for [Low/Mod National Objective and Income Determinations](#).

3.2.1 Income Determination Methods

There are two different definitions of income available to CDBG-DR subrecipients, one of which must be chosen for each program administered and used consistently across beneficiaries served:

- [Part 5](#) – Income is determined based on the applicant’s household income.
- [IRS 1040](#) – The most current IRS 1040 tax form inclusions and exclusions is used to determine the applicants’ household income.

Regardless of the method selected, subrecipients must compare the computed household income against [HUD’s published household income limits](#) adjusted for household size and location to determine if the household qualifies as LMI.

3.2.2 CPD Income Eligibility Calculator

HUD has developed the web-based [CPD Income Eligibility Calculator](#) for grantees and subrecipients to use to accurately calculate household income to determine if the household qualifies as LMI. Subrecipients should reference the [CPD Income Eligibility Calculator User Manual](#) for information on how to use the CPD Income Eligibility Calculator.

3.3 Duplication of Benefits

The Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. § 5121 et seq., prohibits any person, business concern, or other entity from receiving Federal funds for any part of such loss as to which they have received financial assistance under any other program, from private insurance, charitable assistance, or any other source. Duplication of Benefits (DOB) verification and analysis ensure that program funds compensate applicants for damages and needs that have not been addressed by an alternate source, either through funding or assistance.

As such, ADECA and its subrecipients must consider disaster recovery aid received or reasonably anticipated to be received by program applicants from any other Federal, State, local, private, or other source and determine if any assistance is duplicative. ADECA will require that all sources (Federal, State, local, and private) and amounts of disaster assistance received or reasonably anticipated to be received are documented with submission of an application for CDBG-DR funding. Any assistance determined to be duplicative must be deducted from the Program’s calculation of the applicant’s total need prior to awarding assistance. Prior to program-related construction, applicant awardees must submit any additional funds received for damage caused by the presidentially declared hurricane disaster to the subrecipient to avoid DOB. CDBG-DR funding must be funding of last resort. Any additional funds paid to applicant awardees for the same purpose as the assistance awarded after the State has completed the project must be returned to ADECA. Subrecipients are responsible for

record retention of documents submitted by applicants to avoid DOB in the assistance provided, as it relates to specific CDBG-DR Program or projects under your SRA.²⁷

HUD has developed the following trainings to help grantees and subrecipients understand the concepts and requirements of DOB analyses:

- [CDBG-DR Duplication of Benefits Training](#)
- [Duplication of Benefits: The Tough Cases](#)
- [June 2019 Duplication of Benefits Notice 84 FR 28836](#)

3.3.1 Common Examples of DOB

Common examples of duplicative assistance include:

- Insurance proceeds paid to homeowners for damaged residential properties
- Assistance provided by the Federal Emergency Management Agency (**FEMA**)
- Assistance provided by the Small Business Administration (**SBA**)
- Other State and local disaster recovery assistance
- Assistance provided by charitable organization such as nonprofits and religious institutions

It is important to note that assistance must be determined to be “for the same purpose” as the CDBG-DR award to be determined to be duplicative. For example, if an applicant is seeking assistance to rehabilitate their home, and they received \$10,000 from FEMA for temporary rental assistance, since funds for rental assistance is for a different purpose than housing rehabilitation, the \$10,000 received from FEMA would not constitute a DOB.

3.3.2 How to Calculate DOB

ADECA has adopted a general DOB policy; however, detailed policies and procedures for assessing DOB may vary by program and are therefore included in individual program guidelines. Duplication of Benefits policies and procedures included in program guidelines will follow the guidance outlined in Federal Register Vol. 84, No. 119 (84 FR 28836, “2019 DOB Notice”). When possible, ADECA will electronically verify disaster recovery assistance received through Federally and locally maintained datasets, such as FEMA IA and SBA disaster home loan datasets.

The following is an example of how to calculate the CDBG-DR award amount to an applicant after accounting for DOB.

1. Applicant’s Need	\$100,000
2. Potentially Duplicative Assistance	\$35,000
3. Assistance Determined to be Duplicative	\$30,000
4. CDBG-DR Award (Item 1 less Item 3)	\$70,000

²⁷ The duplication of benefits guidance included in Federal Register Vol. 84, No. 119 (June 20, 2019), 84 FR 28836, applies to CDBG-DR grants received in response to disasters declared between January 1, 2015, and December 31, 2021.

In the example, after performing a rehabilitation inspection, the applicant’s total cost of repair to their home is \$100,000. The applicant received \$30,000 in potentially duplicative assistance, \$30,000 from their homeowner’s insurance to repair the home, and \$5,000 from FEMA in short term rental assistance. Since the short-term rental assistance is for a different purpose, only the \$30,000 homeowners’ insurance proceeds are duplicative. The CDBG-DR award amount is then calculated to be \$70,000, which is equal to the total cost to repair the home minus the insurance proceeds. If the program has an award cap of \$50,000, for example, then the CDBG-DR Award amount would be capped at \$50,000.

3.4 Tie-Back to the Disaster

All CDBG-DR funded activities must address an unmet need and have a demonstrable tie-back to the impacts of the disaster for which funding was allocated,²⁸ notwithstanding the specific requirements for mitigation set-aside requirements described below. Examples of documenting tie-back includes:

- Damage or building estimates for physical losses
- Insurance loss reports
- Photographs
- Post-disaster analyses or assessments of economic or non-physical losses (e.g., job loss, business closing data)

3.4.1 Tie-Back for Mitigation Activities

Unlike recovery activities where ADECA and subrecipients must demonstrate activities “tie-back” to the specific disaster and address a specific unmet recovery need, activities funded by the CDBG-DR mitigation set-aside do not require such a “tie-back” to the specific qualified disaster that has served as the basis for the grantee’s allocation. Instead, ADECA and its subrecipient must demonstrate the above four (4) criteria were met.

ADECA and its subrecipients may also meet the requirement of the CDBG-DR mitigation set-aside by including eligible recovery activities that both address the impacts of the disaster (i.e., have “tie-back” to the specific qualified disaster), and incorporate mitigation measures into the recovery activities. ADECA and its subrecipients will incorporate mitigation measures when carrying out activities to construct, reconstruct, or rehabilitate residential or non-residential structures with CDBG-DR funds as part of activities eligible under 42 U.S.C. 5305(a) (including activities authorized by waiver and alternative requirement). ADECA will work with subrecipients to establish resilience performance metrics for mitigation set-aside activities and document how those activities and the incorporated mitigation measures will meet the definition of mitigation.

3.5 Eligible Activities

All CDBG-DR funded activities must be eligible activities as outlined in the HCDA (or be eligible under a waiver or alternative requirement contained in the Federal Register). Additionally, only the eligible activities contained in ADECA CDBG-DR Action Plan, and those allowed in the SRA, may be carried out by subrecipients.

²⁸ 87 FR 6364.

3.5.1 Eligible Activities in the HCDA

The [HCDA Appendix A](#) contains several eligible activities related to housing, community development, infrastructure, public facilities, economic development, planning and public services. [The Guide to National Objectives and Eligible Activities for CDBG Entitlement Communities, Chapter 2:](#)

- Describes the many categories of activity types which may be assisted using CDBG-DR funds;
- Contains guidance on documenting compliance; and
- Provides guidance to make the best choice for selecting the category to carry out an activity when more than one may apply.

3.5.2 Eligible Activities in the Federal Register Notice

The [Federal Register](#) also contains additional eligible activities for CDBG-DR grantees that are ineligible under the regular CDBG program. Eligible activities are appropriation-specific, and may be contained in various applicable Federal Register Notices. The following eligible activities are allowable for ADECA under the 2020 disasters:

- Buyouts
- Housing Incentives
- Housing New Construction
- Mitigation activities

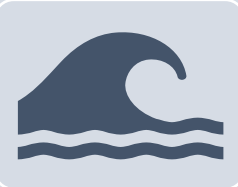
3.5.3 Common Eligible CDBG-DR Activities

The following is a list of common eligible activities carried out by CDBG-DR subrecipients. This list is not all inclusive.



Housing

- Single family and multifamily housing rehabilitation/reconstruction
- Single family and multifamily housing new construction
- Repair and replacement of manufactured housing units
- First-time homeowner/homebuyer assistance
- Interim housing assistance/rental assistance



Mitigation

- Mitigation Plans and Hazard Mitigation
- Resilience and elevation measures for housing and critical facilities
- Voluntary Buyouts
- Flood control and drainage repair and improvements
- Construction or rehabilitation of storm water management systems



Public Facilities and Infrastructure

- Restoration and modernization of infrastructure (e.g., water and sewer facilities, streets, provision of generators, bridges, public facilities, etc.)
- Public facility improvements, including streetscapes, lighting, sidewalks, and other physical improvements to commercial areas
- Natural or green infrastructure



Economic Development

- Acquisition, demolition, or rehabilitation of commercial structures
- Façade improvements
- Assistance to small businesses for rehabilitation and improvements
- Assistance to small businesses via grants or loans
- Workforce/job training and development



Public Services

- Housing Counseling
- Legal counseling
- Senior Services
- Homeless Services
- General and Mental Health services

3.5.4 CDBG-DR Mitigation Set-Aside Activities

ADECA must set-aside 15 percent of its CDBG-DR allocation for mitigation activities (“CDBG-DR mitigation set-aside”). Mitigation activities are defined as those activities that increase resilience to disasters and reduce or eliminate the long-term risk of loss of life, injury, damage to and loss of property, and suffering and hardship, by lessening the impact of future disasters. The CDBG-DR Action Plan identified how the proposed use of the CDBG-DR mitigation set-aside will:

- Meet the definition of mitigation activities
- Address the current and future risks as identified in ADECA’s mitigation needs assessment in the MID areas

- Be CDBG-eligible activities under title I of the HCDA or otherwise eligible pursuant to a waiver or alternative requirement
- Meet a National Objective

HUD has developed the following training for [Investing in Resilience and Mitigation to Address Climate Threats and Advance Equity](#).

3.5.5 Ineligible Activities

Subrecipients may only carry out activities contained in the CDBG-DR Action Plan and SRA. An activity is ineligible if it meets any one of the following criteria:

- Is not located in a State or Federally identified MID Area
- Does not respond to a disaster-related impact
- Is explicitly prohibited by the appropriation law
- Is ineligible under the applicable CDBG regulations (and a waiver has not been granted)
- Fails to meet a national objective

In addition, the Federal Register 87 FR 6364 specifically prohibits the use of CDBG-DR funds for:

- Compensation
- Forced Mortgage Payoffs
- Assistance to Private Utilities
- Enlargement of a dam or levee beyond the original footprint of the structure that existed before the disaster event, without pre-approval from HUD and any Federal agencies that HUD determines are necessary based on their involvement with the levee or dam

3.6 Financial Management

3.6.1 Uniform Administrative Requirements

Subrecipients must adhere to the requirements at 2 C.F.R. § 200 “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.”. The Uniform Administrative Requirements require subrecipients to maintain adequate control and accountability over all funds, property, and other assets and ensure that CDBG-DR funds are used solely for authorized purposes.

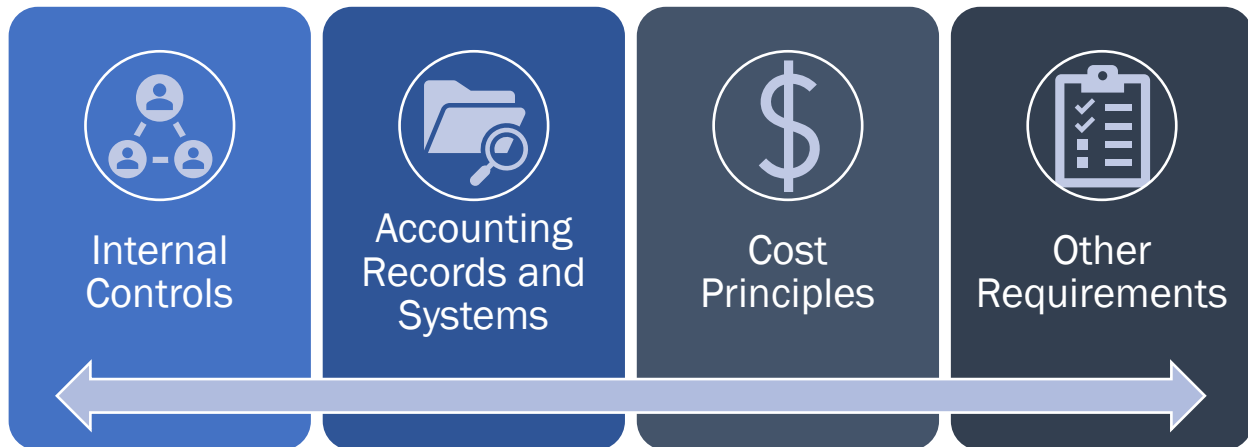
The CDBG regulations at 24 C.F.R. § 570.502 set forth the applicable uniform administrative requirements that must be adhered to in the administration and implementation of the CDBG-DR program. Where conflicts occur between the definitions in 2 C.F.R. § 200 and 24 C.F.R. § 570.502, the definitions at 24 C.F.R. § 570.502 shall govern.

Sound financial management requires all these components to work properly and in connection with one another. HUD’s OIG and the Office of Community Planning and Development (CPD) have developed a set of “Integrity Bulletins” that address issues that CPD grantees struggle with most often. These bulletins are located at: <https://www.hudexchange.info/resource/5065/hud-integrity-bulletins/>.

3.6.2 Financial Management Overview

Financial management is the process of using funds effectively, efficiently, and transparently. It is accomplished through a combination of procedures, methods, rules of conduct, and standards.

Subrecipients are required to adopt financial management policies that include the following key components:



HUD has developed the following training for [Financial Management: From Certification to Launch](#).

3.6.3 Components of Financial Management Systems

Effective and efficient financial management systems have the following characteristics in common:

- Transparency and clear accountability at all levels of operation
- All parties are held accountable for making good financial decisions and following all rules and regulations
- Expenditures are planned, then checked against the plan (e.g., an approved budget)
- Costs are reasonable, necessary, allowable, and appropriately allocated to the correct funding source
- Funds do not sit idle and are protected from misuse
- Records are clearly understood by any certified public accountant (CPA)
- Reports generated are useful to program managers and agency leadership

3.6.4 Internal Controls

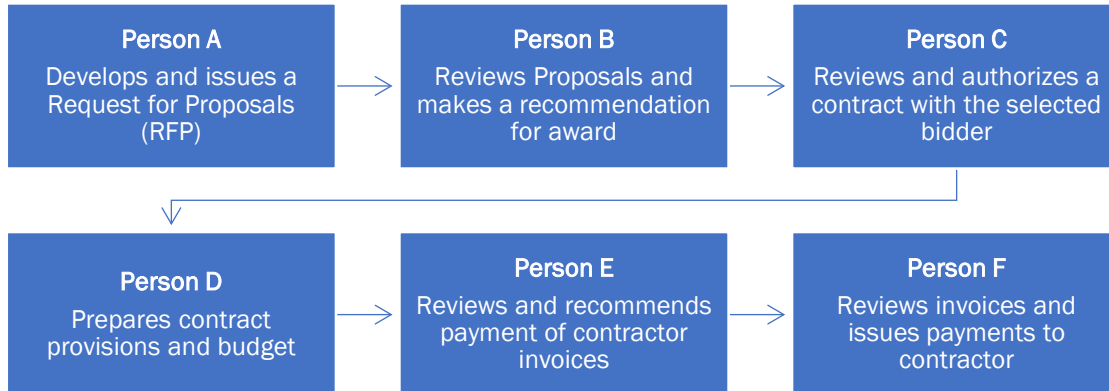
Internal controls²⁹ are a combination of policies, procedures, job duties, personnel, and records that together create accountability and safeguard cash, property, and other assets and to maximize the likelihood of detecting problems if they occur. Subrecipient internal controls must ensure that:

- Resources are used for authorized purposes and in a manner consistent with applicable laws, regulations, and policies
- Resources are protected against waste, mismanagement and/or loss
- Information on the source, amount, and use of funds are reliable, secured, and up-to-date, and that this information is disclosed in the appropriate reports and records

²⁹2 C.F.R. § 200.303 Internal Controls.

3.6.4.1 Separation of Duties

The standards in this Manual are based on the general principle of separation of duties requiring that multiple people with different roles review every financial transaction. They cross check one another to make sure that budgets, costs, records, and reports all match up. The general concept of separation of duties includes that no single person shall have the authority to approve a transaction, execute a transaction, record a transaction, and have custody of any resulting assets. The following figure depicts how different persons perform different duties in financial transactions:



3.6.5 Accounting Records and Systems

3.6.5.1 Accounting Records

Subrecipient’s must have an accounting system³⁰ in place to maintain sufficient accounting records³¹ that clearly identify the source and use of CDBG-DR funds, and that:

- Verify the necessity, reasonableness, allowability, and allocability of costs
- Verify that funds have not been used in violation of any CDBG-DR restrictions or prohibitions through budget controls and adequate accounting records
- Permit the accurate, complete, and timely disclosure of financial results in accordance with ADECA CDBG-DR reporting requirements contained in the SRA
- Minimize the time between the transfer of funds from ADECA and disbursement by its subrecipients

Further, subrecipients must maintain separate accounts for each Federal award, including the ADECA CDBG-DR award, identified by unique identifiers (e.g., SRA number and year), to track expenditures and reimbursements from ADECA. Subrecipient accounting system must include the following elements:

- **Chart of Accounts** – The Chart of Accounts (COA) is a financial, organizational tool that provides a complete listing of every account in the general ledger. Each account has a name and identification code, which breaks down into subcategories such as assets; liabilities; revenues; and expenditures.
- **General Ledger** – The General Leger summarizes, in chronological order, the activity and financial status of all the accounts in the subrecipients accounting system and can be run for specific periods (e.g., monthly, quarterly, fiscal year, etc.) and desired accounts. Information is

³⁰ 2 C.F.R. § 200.419 Cost Accounting Standards and Disclosure Statement.

³¹ 2 C.F.R. § 200.334 Retention Requirements for Records.

transferred to the general ledger after it is entered into the appropriate journal. Entries transferred to the general ledger are cross referenced to the applicable journal to permit the tracing of any financial transaction.

- **Reporting** –report exports containing financial information reported in subrecipient accounting system, including the financial position of the CDBG-DR grant and financial transactions performed to maintain the budget and overall financial assessment.

3.6.5.2 Source Documentation

All journal entries must be appropriately approved and supported by source documentation. Documentation must evidence that costs charged against CDBG-DR funds were:

- Incurred during the effective period of the CDBG-DR grant or the written agreement with ADECA, or for subrecipients and contractors
- Verifiably paid out, or adequately accrued
- Supported by contracts, procurement actions, invoices, payroll records, etc.
- Expended on eligible costs and within approved budgets
- Approved by the appropriate official(s) within the organization

Source documentation must also explain the basis of the costs incurred and the actual dates and amount of the expenditure. ADECA and its subrecipients must ensure their accounting records and supporting documentation include reliable, up-to-date information on the sources and uses of CDBG-DR funds, including:

- Amount of Federal grant awards received
- Current authorizations and obligations of funds
- Unobligated balances
- Assets and liabilities
- Program Income
- Interest
- Actual expenditures

3.6.5.3 Reconciliations

Subrecipients must have procedures in place to reconcile accounts and reports by comparing revenues and expenditures against disbursements for CDBG-DR funded activities. Subrecipients must:

- Maintain in its accounting records the amounts budgeted for eligible activities
- Compare actual obligations and expenditures to date against planned obligations and expenditures³²
- Report deviations from budget and program plans and request approval for budget and program plan revisions. An SRA amendment is triggered when, for example:
 - The period of performance must be extended
 - The scope of work must be amended
 - The required accomplishments must be revised

³² 2 C.F.R. § 200.302(b)(5)

- The budget must be amended by more than 10% of a budget line item's original budgeted amount (e.g., transfer of excess activity delivery funds or transfer of unobligated funds from a completed project to another activity)

3.6.6 Cost Principles

Cost Principles³³ include the following key principles that govern all CDBG-DR costs:



3.6.6.1 Necessary

CDBG-DR funds must be necessary for the performance of the CDBG-DR award. For example, CDBG-DR funding can only be used to fill a necessary gap to address an unmet need that cannot be filled by another funding source. This is demonstrated by conducting a duplication of benefits analysis and calculation for each activity.

3.6.6.2 Reasonable

Costs cannot exceed what a prudent person would incur under similar circumstances as demonstrated by the market price for comparable goods and services. For contracted work, you should conduct an independent cost estimate to establish cost reasonableness.

3.6.6.3 Allowable

Costs allowable under CDBG-DR must meet the following general criteria:³⁴

- Conform to any limitations³⁵ or exclusions, Federal laws, terms, and conditions of the Federal award, or other governing regulations as to types or amounts of cost items
- Be consistent with policies, regulations, and procedures that apply uniformly to both the CDBG-DR grant and other activities of the subrecipient
- Be accorded consistent treatment; a cost may not be assigned to the CDBG-DR Program as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Program as an indirect cost
- Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation (e.g., FEMA match is permitted)
- Be determined in accordance with GAAP
- Be adequately documented
- Be allocable³⁶ to the CDBG-DR grant
- Be net of applicable credits (that is, any credits such as discounts or price adjustments must be deducted from the total costs charged)
- Be authorized or not prohibited under State or local laws or regulation

³³ 2 C.F.R. § 200 Subpart E – Cost Principles.

³⁴ Criteria described at 2 C.F.R. § 200.403.

³⁵ 2 C.F.R. § 200.408 – Limitation on allowance of costs.

³⁶ Allocable costs are defined at 2 C.F.R. § 200.405.

The regulations at 2 C.F.R. § 200 also contains a “selected” list of costs that are allowable or unallowable.³⁷ However, the fact that an item of cost is not included does not mean the cost is unallowable. Rather the cost’s allowability is determined by reference to the basic guidelines.

3.6.6.4 Allocable

A cost is allocable to CDBG-DR program if it meets all of the following three (3) conditions:

- Is incurred specifically for the CDBG-DR Program
- Benefits the CDBG-DR Program and other work and can be distributed in proportions that may be approximated using reasonable methods
- It is necessary to the overall operation of the organization, even if a direct relationship to any particular cost objective cannot be identified (e.g., indirect cost)

Any costs allocable to a particular Federal award or cost objective (such as CDBG-DR) may not be charged to other Federal awards to overcome funding deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal award, or for other reasons.

3.6.6.4.1 Direct Costs

Direct costs³⁸ are those costs that can be identified specifically with a particular final cost objective, such as CDBG-DR funds awarded in the SRA, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. Examples of direct costs include payroll costs and fringe benefits, and costs of materials and other items of expense incurred for the Federal award.

3.6.6.4.2 Indirect Costs

Subrecipients may allocate indirect costs to the CDBG-DR Program if permitted in the SRA. Indirect costs are defined as those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.³⁹ For a cost to be chargeable to the Program, it must be necessary, reasonable, allowable and allocable.⁴⁰

HUD allows three (3) options for charging indirect expenses to the Program:

- 10 Percent De Minimis Rate
- Negotiated Indirect Cost Rate Agreement (NICRA)
- Cost Allocation Plan

3.6.7 Timely Expenditure of Funds

ADECA is required to expend all CDBG-DR funds within six (6) years of the date the grant agreement was executed by HUD. As such, subrecipients must expend CDBG-DR funds within the period of performance contained in the SRA. Failure to expend funds within the required timeframe may result in ADECA reprogramming unspent funds for other eligible purposes to ensure ADECA can expend all CDBG-DR funds within six (6) years.

³⁷ See “General Provisions for Selected Items of Cost,” 2 C.F.R. § 200.420 through 200.476.

³⁸ 2 C.F.R. § 200.413 Direct Costs

³⁹ 2 C.F.R. § 200.1 – Indirect (facilities & administrative (F&A)) costs.

⁴⁰ Pursuant to § 200.403, 200.404, and 200.405.

3.6.8 Program Income

Program Income⁴¹ is defined as any gross income received by the subrecipient that was directly generated from the use of CDBG-DR funds, except as provided in the requirements related to Revolving Loans and received by subrecipients.⁴² In situations where Program Income is generated in an activity which is only partially funded by CDBG-DR funds, the income should be prorated to correctly reflect income attributable to CDBG-DR funds. All Program Income generated by subrecipients using CDBG-DR funds must be remitted to ADECA.

Program Income	Not Program Income
<ul style="list-style-type: none"> • Proceeds from the sale or long-term lease of real property purchased or improved with CDBG-DR funds. • Proceeds from the disposition of equipment purchased with CDBG-DR funds. • Gross income from the use or rental of property acquired by the grantee or subrecipient with CDBG-DR funds, less the costs incidental to the generation of such income. • Gross income from the use or rental of property owned by the grantee or subrecipient that was constructed or improved with CDBG-DR/ funds, less any costs incidental to the generation of such income. • Payments of principal and interest on loans made using CDBG-DR funds. • Proceeds from the sale of loans made with CDBG-DR funds. • Proceeds from the sale of obligations secured by loans made with CDBG-DR funds. • Interest earned on Program Income, pending the disposition of such Program Income. • Funds collected through special assessments made against properties owned and occupied by households not of low- and moderate-income, where such assessments are used to recover part or all of the CDBG-DR portion of a public improvement. • Gross income paid to a State, local government, or subrecipient thereof, from the ownership interest in a for-profit entity in which the income is in return for the provision of 	<ul style="list-style-type: none"> • Total amount of funds less than \$35,000 received in a single year and retained by a local government, or a subrecipient thereof. • Certain interest earnings. • Amounts generated related to assistance to neighborhood-based nonprofit organizations, local development corporations, nonprofit organizations serving the development needs of the communities in non-entitlement areas, to carry out a neighborhood revitalization or community economic development or energy conservation project, and assistance to neighborhood-based nonprofit organizations, or other private or public nonprofit organizations, for the purpose of assisting, as part of neighborhood revitalization or other community development, the development of shared housing opportunities in which elderly families benefit as a result of living in a dwelling in which the facilities are shared with others in a manner that effectively and efficiently meets the housing needs of the residents and thereby reduces their cost of housing.

⁴¹ 24 C.F.R. § 570.503 and § 570.504.

⁴² The definition of Program Income can be found at 24 C.F.R. § 570.500(a).

CDBG-DR assistance.	
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3.7 Procurement

As per 87 FR 6364, ADECA must comply with the procurement requirements at 24 C.F.R. 570.489(g) and the following alternative requirements:

- Establish requirements for procurement processes for subrecipients based on full and open competition consistent with the requirements of 24 C.F.R. 570.489(g); and
- Require subrecipients to evaluate the cost or price of the product or service being procured with CDBG-DR funds.

The regulations at 24 CFR 570.489(g) require ADECA to establish requirements for procurement policies and procedures for subrecipients, based on full and open competition. When procuring goods or services with CDBG-DR funds, subrecipients must follow the Alabama State Code. If the procurement standards contained in the Uniform Administrative Requirements at 2 CFR 200.318 through 2 CFR 200.327 or local procurement policies and procedures are stricter than the Alabama State Code, the strictest requirement shall prevail.

Prior to the commencement of any procurement action, the subrecipient may receive specific training detailing the rules and requirements for procurement processes. ADECA monitors the procurement actions of its subrecipients as part of its oversight. HUD has developed the following training for [Understanding Procurement and Vendor Management](#).

3.7.1 Methods of Procurement

There are three methods of procurement:

Small Purchase

For the acquisition of supplies or services less than \$25,000:

- A minimum of three (3) potential vendors shall be solicited.
- Negotiation of price and/or terms of the purchase may be allowed by the Contracting Officer.
- At least one (1) quotation must be obtained from a responsive and responsible potential vendor, with a reasonable price or cost.
- Multiple award of vendors may be recommended.

Sealed Bids

For the acquisition of goods and services that exceed \$25,000.

- Preferred method for procuring construction services.
- For Sealed Bidding to be feasible, the following conditions are required:
 - Accurate and complete specifications;
 - Specific date and time for the submission of sealed bids;
 - A Public Bid Opening;
 - Offer evaluation; and
 - Award of the contract based on the lowest price.

Competitive Proposals

Request for Proposals (RFP) is used when conditions are not appropriate for Sealed Bidding.

- The preferred method for procuring professional services that will exceed the Small Purchase Threshold.
- Evaluation and selection are based on the evaluation criteria and factors for an award in the RFP.
- Contract award is based on the best proposal that meets the requirements of the scope of work resulting in the greatest benefit and best value to the procuring entity, which may not be primarily determined based on price.

3.7.2 Cost or Price Analysis

ADECA and its subrecipients must evaluate the cost or price of the product or service being procured prior to receiving bids.

Price Analysis is the evaluation of a proposed price without analyzing any of the separate cost elements that it is composed of. Subrecipients may use price analysis in the following instances:

- When supporting data for other commercially available items of similar products or services are available and/or when the price can be established on the basis of catalog or market prices of commercial products or services, or when the price is established by law or regulation; or
- When there is a contract modification or change order that changes the scope and impacts price, and there is available data to support the cost or price; or
- and when there is adequate competition, meaning that two or more responsible offerors are able to compete effectively and independently for the contract.

Cost Analysis is the evaluation of separate cost elements that make up the offeror's total cost proposal to determine if they are allowable, directly related to the requirement, and reasonable. Cost analyses are used mostly for complex Competitive Proposals and for Non-Competitive Proposals. A cost analysis is required when one or more of the following conditions are met:

- Price is not the determining factor for the award
- Supporting data for other commercially available items of similar products or services are not available

- Negotiating with a sole source
- After soliciting proposals or sealed bids, only one (1) proposal or bid is received, and it differs substantially from the ICE
- There is a contract modification that changes the scope and impacts price and there is no available data to support the cost or price

3.8 Recordkeeping

Accurate recordkeeping is one of the most important aspects in successful management of CDBG-DR funded activities. Failure to maintain adequate documentation is one of the most serious administrative issues undermining program performance and regulatory compliance of subrecipients. Without adequate record keeping, it is nearly impossible to track performance against SRA goals and adequate management support is limited. Insufficient documentation and reporting on the subrecipient's part can lead to serious monitoring findings which are likely to be much more difficult to resolve in cases where records are missing, inaccurate, or otherwise deficient.⁴³ General reporting and recordkeeping requirements are contained in the SRA.

3.8.1 Record Management

Federal regulation states “[e]ach recipient shall establish and maintain sufficient records to enable the Secretary to determine whether the recipient has met the requirement of this part.”⁴⁴ As per 87 FR 6364, and consistent with applicable statutes, regulations, waivers and alternative requirements, and other Federal requirements, the content of records maintained by the State shall be sufficient to:

- Enable HUD to make the applicable determinations described at 24 C.F.R. § 570.493
- Make compliance determinations for activities carried out directly by the State
- Show how activities funded are consistent with the descriptions of activities proposed for funding in the action plan and/or DRGR system

The following records are the minimum required,⁴⁵ and as such, ADECA and its subrecipients/administering entities will maintain:

- Records providing a full description of each activity assisted with CDBG-DR funds, including:
 - Location
 - Amount of CDBG-DR funds budgeted, obligated, and expended
 - The provision of 24 C.F.R. § 570 Subpart C under which it is eligible
- Records demonstrating that each activity meets one of the criteria⁴⁶ for National Objectives
- Records that demonstrate that the recipient has made determinations required as a condition of eligibility of certain activities. Where applicable, records which demonstrate compliance with the requirements of § 570.202(g) or § 570.204(a)(5) or document the State's grant recipient's basis for exception to the requirements of those paragraphs
- Records which demonstrate compliance with citizen participation requirements

⁴³ Playing by the Rules: A Handbook for CDBG Subrecipients on Administrative Systems, December 2021, <https://files.hudexchange.info/resources/documents/Playing-By-the-Rules-a-Handbook-for-CDBG-Subrecipients-On-Administrative-Systems.pdf>.

⁴⁴ 24 C.F.R. § 570.506.

⁴⁵ § 570.506.

⁴⁶ § 570.208.

- Records which demonstrate compliance with the requirements regarding acquisition, displacement, relocation, and replacement housing
- Fair housing and equal opportunity records
- Davis Bacon and Related Acts (DBRA) records, including Certified Payroll Reports (CPRs), employee interviews, etc.
- Records related to other crosscutting requirements, such environmental review records, Section 3 records, etc.
- Financial records, as required,⁴⁷ and State requirements, which include, but not limited to:
 - Current authorizations and obligations of CDBG-DR funds
 - Unobligated balances (funds remaining available for distribution)
 - Assets and liabilities
 - Program Income (if any)
 - Evidence indicating that the use of program funds belongs to the eligible activity; and
 - Evidence indicating that each expenditure is necessary, reasonable, and directly related to the project
- Agreements and other records related to lump sum disbursement to private financial institutions for financing rehabilitation
- Records required to be maintained in accordance with other applicable laws and regulations

3.8.2 Record Retention

As per recordkeeping and retention requirements,^{48,49} all official records on programs and individual activities shall be retained for the greater of three (3) years, starting from the closeout of the grant or beyond the end of the affordability period for each housing activity, whichever is longer. If any other laws and regulations as described in 24 C.F.R. § 570.490 applies to a project, the record retention period may be extended. All records involved in litigation, claims, audits, negotiations, or other actions, which have started before the expiration date of their retention, will be kept until completion of the action and resolution of all issues or the end of the regular three (3) year period, whichever is longer.

As a general practice, ADECA maintains files for five (5) years after grant close-out with HUD. Exceptions⁵⁰ for longer file retention include any of the following circumstances:

- Audits started before the end of the three (3) year period
- HUD notifies ADECA in writing to extend the retention period
- Receipt of Program Income after the period of performance
- Real property monitoring

⁴⁷ 2 C.F.R. § 200, 24 C.F.R. § 570.502

⁴⁸ 2 C.F.R. § 200.334.

⁴⁹ 24 C.F.R. § 570.490(d).

⁵⁰ 2 C.F.R. § 200.334.

3.8.3 Record Accessibility

Notwithstanding 2 C.F.R. § 200.337, recipients shall provide citizens with reasonable access to records regarding the past use of CDBG funds, consistent with applicable State and local laws regarding privacy and obligations of confidentiality.⁵¹

3.9 Federal Crosscutting Requirements

The following crosscutting requirements apply to all subrecipients, and programs described in ADECA's CDBG-DR Action Plan.

3.9.1 Civil Rights and Fair Housing; Employment and Contracting Opportunities

Subrecipients shall administer its CDBG-DR funds in compliance with the following Federal laws⁵² and Executive Orders and discussed implementation regulations. These regulations focus on prohibiting discriminations and ensuring opportunities are available to those who need it.

- Title VI of the Civil Rights Act of 1964, 42 U.S.C. § 2000d et seq.
- Fair Housing Act, Title VIII of the Civil Rights Act of 1968, 42 U.S.C. § 3601 et seq.
- Executive Order 11063 – Equal Opportunity in Housing
- Section 104(b) of Title I of the Housing and Community Development Act of 1974, as amended, 42 U.S.C. § 5304(b)
- Section 109 of Title I of the Housing and Community Development Act of 1974, as amended, 42 U.S.C. § 5309
- Section 3 of the Housing and Community Development Act of 1968, 12 U.S.C. § 1701u
- Section 504 of the Rehabilitation Act of 1973, as amended, 29 U.S.C. § 794
- The Americans with Disabilities Act (ADA) of 1990, 42 U.S.C. § 12101 et seq.
- Others, as established in the SRA between ADECA and the subrecipient

HUD has developed the following training for [Fair Housing, Civil Rights, and Equity Requirements with CDBG-DR and CDBG-MIT Grants](#).

3.9.2 Debarment and Suspension

The regulations implementing Executive Orders No. 12549 and 12689, in 2 C.F.R. § 180, OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement), restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities. A contract award must not be made to parties listed on the government wide exclusions in the System for Award Management (**SAM**). SAM Exclusions contains the names of parties debarred, suspended, or otherwise excluded by agencies, as well as parties declared ineligible under statutory or regulatory authority other than Executive Order No. 12549.

3.9.3 Anti-Lobbying Restrictions

As per 31 U.S.C. § 1352 (Limitation on Use of Appropriated Funds to Influence Certain Federal Contracting and Financial Transactions) and 24 C.F.R. § 87 (New Restrictions of Lobbying), no appropriated funds may be expended by the recipient of a Federal contract, grant, loan, or cooperative agreement to pay any person for influencing or attempting to influence an officer or employee of any

⁵¹ 24 C.F.R. § 570.508.

⁵² 24 C.F.R. § 570.601, § 570.607 and § 570.614.

agency, a Member of Congress, an officer or employee of congress, or an employee of a Member of congress in connection with any of the following covered Federal actions: 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.

3.9.4 Minority and Women Owned Business Enterprises (M/WBE)

2 C.F.R. § 200.321 requires ADECA, as a non-Federal entity defined in 2 C.F.R. § 200.321, to take necessary steps to ensure that all recipients, subrecipients, contractors, subcontractors, and/or developers funded in whole or in part with CDBG-DR Financial assistance ensure that, when possible, contracts and other economic opportunities are directed to small and minority business enterprises (**MBE**), women-owned business enterprises (**WBE**), and labor surplus area firms.

Subrecipients must make best efforts and take affirmative steps to achieve minority business enterprises and women-owned business enterprises (together M/WBE) utilization goals. The following are considered affirmative steps:⁵³

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

3.9.5 Labor Standards

3.9.5.1 Davis-Bacon Act

The Davis-Bacon Act of 1931 and Related Acts (**DBRA**), as amended, 40 U.S.C. § 3141-3148, applies to contractors and subcontractors carrying out construction work under a contract in excess of \$2,000 that is funded in whole or in part by applicable Federal assistance. DBRA provides for the determination of prevailing wage rates and fringe benefits to corresponding ADECA CDBG-DR programs, projects, and activities. The higher prevailing wage rate between Federal Government and State must be adhered to and made applicable. Davis-Bacon also applies to residential construction which consists of projects involving the construction, alteration, or repair of eight (8) or more separate, contiguous single-family houses operated by a single entity as a single project or eight (8) or more units in a single structure. DBRA determines applicability of Davis-Bacon to Federally assisted construction contracts. The Housing and Community Development Act of 1974 (**HCDA**), 42 U.S.C. § 5301 et seq., Section 110 of the Act, determines the DBRA applicability to CDBG-DR.

⁵³ These affirmative steps are established in 2 C.F.R. § 200.321.

HUD has developed the following training for [Overview of Cross-cutting Requirements Part 2: URA and Labor Standards](#).

3.9.5.2 Fair Labor Standards Act of 1938

The Fair Labor Standards Act of 1938 (**FLSA**), as amended, 29 U.S.C. § 201 et seq., establishes the basic minimum wage levels for all work and requires the payment of overtime at the rate of time and one-half the basic hourly rate of pay for work in excess of forty (40) hours per week. These labor standards are applicable to the entire construction contract, regardless of whether CDBG-DR funds finance only a portion of the project. Excluding the exceptions listed below, all workers employed by contractors or subcontractors in the performance of construction work financed in whole or in part with assistance received under CDBG-DR Program must be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor. See 41 C.F.R. § 60 on Obligations of Contractors and Subcontractors.

Executive Order No. 11246, issued September 28, 1965, as amended, established requirements for non-discriminatory practices in hiring and employment on the part of government contractors. It 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 based on race, color, religion, sex, sexual orientation, gender identity, or national origin. This Executive Order also requires government contractors to take affirmative action to ensure that equal opportunity is provided in all aspects of their employment. This regulation is adhered to within all programs.

3.9.5.3 Contract Work Hours and Safety Standards Act

The Contract Work Hours and Safety Standards Act (**CWHSSA**)⁵⁴ applies to both direct Federal contracts and Federally assisted contracts in excess of \$100,000 where those contracts require or involve the employment of laborers and mechanics and Federal wage standards are applicable. Under the provisions of the CWHSSA, as amended, 40 U.S.C. §§ 3701-3708, contractors and subcontractors must pay laborers and mechanics, including guards and watchmen, premium pay or time and one-half their regular pay, plus any fringe benefits, for work in excess of forty (40) hours per week. CWHSSA requires premium overtime pay only when all hours considered under CWHSSA overtime requirements – forty (40) hours plus additional (overtime) hours – are performed on CWHSSA-covered sites of work. Additionally, CWHSSA prohibits unsanitary, hazardous, or dangerous working conditions on Federal and Federally financed and assisted construction projects.

3.9.5.4 Copeland Anti-Kickback Act (40 U.S.C. § 3145)

The Copeland Anti-Kickback Act supplemented the Davis-Bacon Act and prohibits a Federal building contractor or subcontractor from inducing employees into giving up any part of the compensation that they are entitled to under the terms of their employment contract and establishes reporting requirements for wages paid to workers on construction sites. Specifically, the Copeland Anti-Kickback Act and implementing regulations require contractors and subcontractors performing on covered contracts to pay their employees on a weekly basis and in cash or a negotiable instrument payable on demand and to submit weekly payroll reports of the wages paid to their laborers and mechanics during the preceding payroll period.

3.9.6 Section 3 of the Housing and Urban Development Act of 1968

Section 3 is a provision of the Housing and Urban Development Act of 1968. The purpose of Section 3 is to ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State, and local

⁵⁴ 40 U.S.C., Chapter 5, § 326-332, 29 C.F.R. Part 4, 5, 6 and 8, 29 C.F.R. Part 70 to 240.

laws and regulations, be directed to low- and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low- and very low-income persons.

Section 3 projects are housing rehabilitation, housing construction, and other public construction projects assisted under the CDBG-DR and other HUD programs that provide housing and community development financial assistance when the total amount of assistance to the project exceeds a threshold of \$200,000. Subrecipients are required to report Section 3 accomplishments to ADECA for all Section 3 projects for entry into DRGR.

The regulations at 24 C.F.R. Part 75 (Section 3 Final Rule) replaced the regulations at 24 C.F.R. Part 135 and are effective for all Section 3 covered contracts executed after 11/30/20.

HUD has developed the following trainings for the Section 3 Final Rule.

- [Section 3 Final Rule Training - HUD Exchange](#)

The [Federal Register Notice](#) that provides guidance related to the Section 3 Final Rule is Vol. 85, No. 189 (September 29, 2020).

3.9.7 Affirmatively Furthering Fair Housing

Affirmatively Furthering Fair Housing (**AFFH**) is a legal requirement that Federal agencies and Federal grantees further the purposes of the Fair Housing Act 1968, as amended, 42 U.S.C. § 3601 et seq. The Fair Housing Act dictates that grantees are required to administer all programs and activities related to housing and urban development in a manner to affirmatively further the policies of said Act.

The Fair Housing Act is enforced by ensuring that all grantees, subrecipients, and/or developers meet the applicable Fair Housing and Affirmative Marketing requirements, provide an affirmative fair housing marketing plan for applicable housing developments, and report on compliance activities as required by ADECA and HUD.

All subrecipients must take meaningful action to affirmatively further fair housing through the CDBG-DR funded programs. All programs and activities must also comply with local and Federal laws, statutes, and regulations. ADECA will maintain training materials, resources and program area documents that review key fair housing requirements and processes. ADECA will make these materials readily available to subrecipients.

3.9.8 Civil Rights and Non-Discrimination

Title VII of the Civil Rights Act of 1964 was enacted as part of the landmark Civil Rights Act of 1964, 42 U.S.C. § 2000d et seq. It prohibits discrimination on the basis of race, color, or national origin in programs and activities receiving Federal financial assistance.

Pursuant to Section 109 of the Housing and Community Development Act of 1974, as amended, supra, no person in the United States shall on the grounds of race, color, national origin, religion, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any CDBG-DR program or activity. Section 109 also directs that the prohibitions against discrimination on the basis of age under the Age Discrimination Act⁵⁵ and the prohibitions against discrimination on the basis of disability under section 504 of the Rehabilitation Act of 1973, as

⁵⁵ The Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. 621 et seq., prohibits discrimination on the basis of age in Federally assisted and funded programs or activities, except in limited circumstances.

amended (29 U.S.C. 701 et seq.) shall apply to programs or activities receiving Federal financial assistance under Title I programs. The policies and procedures necessary to ensure enforcement of section 109 are codified in 24 C.F.R. § 6. See 24 C.F.R. § 570.602.

3.9.8.1 Section 504 of the Rehabilitation Act of 1973

Section 504 of the Rehabilitation Act of 1973, as amended, prohibits discrimination based on disability in Federally assisted Programs. This section provides that qualified individuals should not be excluded from participation solely by reason of their disability (including employment), denied program benefits, or subjected to discrimination under any program or activity receiving Federal funding assistance. ADECA is responsible for ensuring programs comply with the requirements set for in Section 504 and that subrecipients/contractors comply with Section 504 requirements. These requirements include, among others, the provision of reasonable accommodations and modifications to meet disability-related needs that afford individuals equal opportunity to access and enjoy the benefits of the CDBG-DR Program.

3.9.8.2 The Americans with Disabilities Act of 1990 (ADA)

The Americans with Disabilities Act of 1990 (**ADA**), as amended (42 U.S.C. § 12101 et seq.), prohibits discrimination and ensures equal opportunity for persons with disabilities in employment, State and local government services, public accommodations, commercial facilities, and transportation. It also mandates the establishment of a telecommunications device for the deaf (TDD)/telephone relay services. Subrecipients must take affirmative steps to ensure that people with disabilities have equal access to the programs offered, and that any aid, benefit, or services are delivered in the most integrated manner possible.

3.9.8.3 The Architectural Barriers Act of 1968 (ABA)

The Architectural Barriers Act of 1968 (**ABA**), as amended (42 U.S.C. §§ 4151-4157), requires that certain buildings financed with Federal funds must be designed, constructed, or altered in accordance with standards that ensure accessibility for persons with physical disabilities. The ABA covers any building or facility financed in whole or in part with Federal funds, except privately-owned residential structures. Covered buildings and facilities designed, constructed, or altered with CDBG-DR funds are subject to the ABA and must comply with the Uniform Federal Accessibility Standards (**UFAS**).

3.9.8.4 Equal Access Regardless of Sexual Orientation or Gender Identity

As the Nation's housing agency, HUD's policy is to ensure that its programs do not involve arbitrary discrimination against any individual or family otherwise eligible for HUD-assisted or insured housing and that its policies and programs serve as models for equal housing opportunity. Toward this goal, HUD revised its program regulations on February 3, 2012 (Federal Register Vol. 77, No. 23, 77 FR 5661) to ensure that its core programs are open to all eligible individuals and families regardless of actual or perceived sexual orientation, gender identity or marital status in housing assisted with HUD funds or subject to FHA insurance, and to prohibit inquiries on actual or perceived sexual orientation or gender identity for the purpose of determining eligibility for the housing or otherwise making such housing available. Subrecipients must ensure that CDBG-DR activities are conducted in a manner which will not cause discrimination on the basis of race, creed, color, national origin, religion, sex, disability, familial status, gender identity, sexual orientation, marital status, or age.

3.9.9 Environmental Review

Every project undertaken with CDBG-DR funds, and all activities related to that project, is subject to the provisions of the National Environmental Policy Act of 1969 (**NEPA**) (42 U.S.C. § 4321 et seq.), as well as to the HUD environmental review regulations at 24 C.F.R. § 58 (for HUD-funded projects) on Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities. The

primary purpose of this Act is to protect and enhance the quality of our natural environment. 24 C.F.R. § 58.22 prohibits the commitment or spending of Federal or non-Federal funds on any activity that could have an adverse environmental impact or limit the choice of reasonable alternatives prior to completion of an environmental review. Environmental clearance must be obtained for each project prior to the commitment of Federal or non-Federal funds.

The primary objectives of the environmental review are to identify specific environmental factors that may be encountered at potential project sites, and to develop procedures to ensure compliance with regulations pertaining to these factors. The environmental review is designed to produce program-specific environmental review procedures in a program that can vary greatly in terms of scope of work. HUD has developed the following training for [Environmental Review and HEROS: Best Practices for Disaster Recovery Grantees](#).

To conduct the appropriate level of environmental review, each program will determine the environmental classification of the project. There are four (4) major classifications of environmental review for projects:

Exempt

Exempt Activities

- Activities which are highly unlikely to have any direct impact on the environment, such as planning and public service activities.

CEST/CENST

Categorically Excluded Activities

- Activities that may have an impact to the environment, but not to extent that an Environmental Assessment or Environmental Impact Statement is required. There are two types of Categorically Excluded Activities: Categorically Excluded Not Subject to 24 C.F.R. § 58.5; and Categorically Excluded Subject to 24 C.F.R. § 58.5.

EA

Environmental Assessment

- Activities that could potentially have a significant impact on the environment. In addition to compliance with the laws and authorities at 24 C.F.R. § 58.5 and 24 C.F.R. § 58.6, environmental assessments must consider an array of additional potential impacts of the project, including a National Environmental Policy Act analysis.

EIS

Environmental Impact Statement

- Activities that require a detailed written Statement required by Section 102(2)(C) of NEPA for a proposed major Federal Action significantly affecting the quality of the human environment. These Statements are normally used for major housing (2,500 units or more) or infrastructure projects.

In addition, neither a recipient nor any participant in the development process may commit non-HUD funds on or undertake an activity or project under a CDBG-DR Program before the environmental review process is completed. Environmental clearance must be obtained for each project prior to the firm commitment of Federal or non-Federal funds. See 24 C.F.R. § 58.22 on Limitations on Activities Pending Clearance. A violation of this requirement may jeopardize Federal funding to this project and disallow all costs that were incurred before the completion of the environmental review.

3.9.9.1 Environmental Review Record

The Environmental Review Record (ERR) for all projects contains all the governmental review documents, public notices and written determinations or environmental findings required by 24 C.F.R. § 58 on Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities as evidence of review, decision making and actions pertaining to a project of a recipient.

As appropriate, the ERR achieves the following:

- Describes the project and activities that ADECA has determined to be part of a project
- Evaluates the effects of the project or the activities on the human environment
- Documents compliance with applicable statutes and authorities, in particular those cited in section 58.5 and 58.6 of 24 C.F.R. § 58 (also, 40 C.F.R. § 1508.8 & § 1508.27, if needed)
- Records the written determinations and other review findings required by this part (e.g., Exempt and Categorically Excluded projects determinations, and findings of no significant impact)

The ERR contains, as appropriate, verifiable source of documents and relevant base data used or cited in environmental assessments, or other project review documents. Upon request, these support documents may be available for review by interested parties.

3.9.10 Lead Based Paint

All housing units assisted using CDBG-DR funds must comply with the Lead-Based Poisoning Prevention Act⁵⁶ and regulations regarding lead-based paint found at 24 C.F.R. § 35 on Lead-Based Paint Poisoning Prevention in Certain Residential Structures, as well as, all regulations and procedures stipulated by the Government of Alabama and any amendments thereof, including Regulation 9098 issued July 16, 2019, Regulations For The Control of Lead-Based Paint Abatement And Renovation Activities.

Some of the pertinent requirements established by 24 C.F.R. § 35 are as follows:

- Notification
 - Lead Hazard Information Pamphlet
 - Notice of Lead Hazard Evaluation
 - Notice of Lead Hazard Reduction Activity
- Lead Hazard Assessment/Evaluation
- Lead Hazard Reduction⁵⁷

A lead-based paint assessment will be conducted by a licensed lead-based paint inspector or risk assessor on those structures that were built before 1978 but are eligible for rehabilitation.

3.9.11 Considerations for Crosscutting Requirements and Pre-Award Costs

HUD has published [CPD Notice 15-07](#) that outlines procedures and deadlines to be followed by grantees and subrecipients CDBG-DR funds to homeowners, businesses, and other qualifying entities for eligible costs they have incurred with respect to the following crosscutting requirements:

- Environmental (NEPA)
- Davis Bacon and Related Acts (DBRA)
- Civil Rights and Related Requirements
- Lead-Based Paint
- Uniform Relocation Act (URA)

⁵⁶ 42 U.S.C. § 4821-4846.

⁵⁷ 24 C.F.R. Part 35 §§ 35.1300 - 35.1355.

3.9.12 Flood Insurance Requirements

Subrecipients must ensure that procedures and mechanisms are put into place to monitor compliance with all flood insurance requirements as found in Flood Disaster Protection Act of 1973 (42 U.S.C. § 4106), 24 C.F.R. § 570.605 on National Flood Insurance Program and 24 C.F.R. § 570.202 on Eligible Rehabilitation and Preservation Activities and alternative requirements provided in 87 FR Vol. 23, 6389-6390. Among other requirements, subrecipients must ensure both of the following requirements are met:

- HUD-assisted property owners located in a Special Flood Hazard Area must purchase and maintain flood insurance in the amount and duration prescribed by FEMA's National Flood Insurance Program. Property owners located in a Special Flood Hazard Area must execute a Covenant Agreement with ADECA prior to receiving disaster relief funding for damages from Hurricanes Zeta or Sally.
- Property owners who have previously received Federal flood disaster assistance and were subsequently required to purchase and maintain flood insurance but failed to do so, will not be eligible to receive any additional Federal disaster relief funding

3.9.13 Uniform Relocation Act (URA)

CDBG-DR funds, administered by ADECA and disbursed to subrecipients and direct contractors and/or beneficiaries, are subject to:

- Real Estate Acquisition and Relocation Policy and Guidance Handbook (HUD Handbook 1378)
- Uniform Relocation Assistance and Real Property Acquisition Act of 1970 (**URA or Uniform Act**), as amended, 49 C.F.R. § 24.
 - The URA applies to all CDBG-DR-assisted activities that involve the acquisition of real property, easements, or the displacement of persons, including displacement caused by rehabilitation and demolition activities. If CDBG-DR assistance is used in any part of a project, the URA governs the acquisition of real property and any resulting displacement, even if local funds were used to pay the acquisition costs. Private persons, corporations, or businesses that acquire property or displace persons for a CDBG-DR-assisted project are subject to the URA.
 - Under the URA, all persons displaced as a direct result of acquisition, rehabilitation, or demolition, for a CDBG-DR-assisted project, are entitled to relocation payments and other assistance. Acquisition that takes place on or after submission for assistance to the CDBG-DR program to fund an activity on that property is subject to URA, unless the Applicant shows that the acquisition is unrelated to the proposed CDBG-DR activity. Acquisition that takes place before the date of submission for assistance will be subjected to the URA if ADECA determines that the intent of the acquisition was to support a subsequent CDBG-DR activity.

HUD has developed the following training for [Overview of Cross-cutting Requirements Part 2: URA and Labor Standards](#).

3.9.14 Property Management and Distribution

ADECA will comply with regulations governing property management and distribution of real property, personal property, financial obligations, and return of unobligated cash post program closeout. Applicable regulations can be found in 24 C.F.R. § 570.502, 24 C.F.R. § 570.505, 2 C.F.R. § 200.310, 2 C.F.R. § 200.343, 2 C.F.R. § 200.344(b), 2 C.F.R. § 200.344(d)(4) and 24 C.F.R. § 570.489(j).

3.9.14.1 Use, Management, and Disposition of Real Property

The standards of 24 C.F.R. § 570.505 apply to any real property under a CDBG award recipient's control acquired in whole or in part with CDBG funds in excess of \$25,000. The recipient should control the use of the property in accordance with its intended purpose and take good care of it and may not change the use or planned use of the property without proper notification to affected citizens and allowable time for comment by them. If the property is not a building for general government conduct, the use of the property may be changed with citizen approval if it either meets one of the national objectives⁵⁸ or if not, the recipient may either retain or dispose of the property for the changed use if the recipient's CDBG program is reimbursed in the amount of the current fair market value of the property, less any portion of the value attributable to expenditures of non-CDBG funds for acquisition of, and of, and improvements to, the property. Following such reimbursement, the property will no longer be subject to any CDBG requirements.

Subrecipients must keep records to document the ownership, use, management, and/or disposition of real property, including inventory data.

3.9.15 Limited English Proficiency

Under Title VI of the Civil Rights Act of 1964, 42 U.S.C. § 2000(d) et seq., and pursuant to and in accordance with Executive Order No. 13166, Improving Access to Services for Persons With Limited English Proficiency, and HUD's Final Guidance to Federal Financial Assistance Recipients Regarding Title VI Prohibition Against National Origin Discrimination Affecting Limited English Proficient Persons, dated January 22, 2007, and effective February 21, 2007 (HUD Guidance), recipients of Federal financial assistance are required to take reasonable steps to ensure meaningful access to their programs and activities to individuals with Limited English Proficiency (**LEP**). The previously cited Executive Order No. 13166, requires programs, subrecipients, contractors, subcontractors, and/or developers funded in whole or in part with CDBG-DR financial assistance to ensure fair and meaningful access to programs and services for families and individuals with LEP and impairments disabilities. Fair access is ensured through the implementation of a Language Assistance Plan (**LAP**), which includes non-English-based outreach, translation services of vital documents, free language assistance services, and staff training.

3.9.16 Anti-Fraud, Waste, Abuse or Mismanagement

ADECA, as grantee, is committed to the responsible management of CDBG-DR funds by being a good advocate of the resources while maintaining a comprehensive policy for preventing, detecting, reporting, and rectifying fraud, waste, abuse, or mismanagement.

Pursuant to 87 FR 6364, ADECA implements adequate measures to create awareness and prevent fraud, waste, abuse, or mismanagement among other irregularities in all programs administered with CDBG-DR funds as well as encourages any individual who is aware or suspects any kind of conduct or activity that may be considered an act of fraud, waste, abuse, or mismanagement, regarding the CDBG-DR Program, to report such acts to the ADECA Audit Section, directly to the Office of Inspector General (OIG) at HUD, or any local or Federal law enforcement agency.

HUD has developed the following training for [Prevention of Fraud, Waste, and Abuse](#).

⁵⁸ The criteria of the national objectives can be found at 24 C.F.R. § 570.483.

3.9.16.1 Reporting Fraud

Any allegations of fraud, waste, abuse, or mismanagement related to CDBG-DR funds or resources must be reported to the ADECA Audit Section, directly to the OIG at HUD, or any local or Federal law enforcement agency.

Any person, including any employee of the CDBG-DR Program, who suspects, witnessed, or discovered any fraud, waste, abuse, or mismanagement, relating to the CDBG-DR Program, should report it immediately to the ADECA Audit Section by calling the number below or completing the form at the following website. If you give permission to ADECA to contact you regarding the matter, please provide your contact information when calling or completing the form online.

Reporting Fraud, Waste and Abuse	
Phone	877-219-9592
Internet	https://adeca.alabama.gov/fraud/

Allegations of fraud, waste, or abuse can also be reported directly to the OIG by any of the following means:

Reporting Fraud, Waste and Abuse	
HUD OIG Hotline	1-800-347-3735 (Toll-Free) 787-766-5868 (Spanish)
Mail	HUD Office of Inspector General (OIG) Hotline 451 7th Street SW, Washington, D.C. 20410
Email	HOTLINE@hudoig.gov
Internet	https://www.hudoig.gov/hotline

3.9.17 Conflict of Interest

A conflict of interest⁵⁹ exists when any person who is an employee, agent, consultant, decision maker, officer, or elected/appointed official of any recipient receiving funds under the Program may obtain a financial interest or benefit from a CDBG-DR-assisted activity, has financial interest in any contract, subcontract or agreement with respect to a CDBG-DR-assisted activity or with respect to the proceedings of such an activity, either for themselves or with those whom they have business or immediate family ties during their tenure or for one (1) year after.

The subrecipient’s program officials, their employees, agents, and/or designees are subject to State ethic laws and regulations in regard to their conduct in the administration, granting of awards, and program activities. Applicable regulations include, but are not necessarily limited to:

- HUD conflict of interest regulations, 24 C.F.R. § 570.611 and 24 C.F.R. § 85.36

⁵⁹ Conflict of Interest is defined at 24 C.F.R. § 570.611.

- The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 C.F.R. § 200 at § 200.112 and § 200.318 (c)(1)
- Applicable Alabama conflict of interest and ethics rules, Ala. Code §§ 13A-10-62; 36-25-7; 41-4-148.

3.9.18 Personally Identifiable Information (PII) and Confidentiality

In order to implement CDBG-DR programs, subrecipients may need to collect, maintain, use, retrieve, and disseminate information related to those individuals who apply for CDBG-DR funded assistance. Due to the nature of the programs, applicant's records may contain income information, insurance information housing inspection reports, and annotations of various types of assistance. Some, if not most, of the information on the applicant's records is considered personally identifiable information.

As means of internal control when managing Federal awards funds, subrecipients must "take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designated as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, State, local, and tribal laws regarding privacy and obligations of confidentiality."⁶⁰ Regarding internal controls⁶¹ subrecipients must have systems in place for the protection of PII obtained. These systems include the management of username and passwords, physical and digital files, and archives, uses of programs, applications, and software, etc.

Personally Identifiable Information (**PII**)⁶² refers to information that can be used to distinguish or trace an individual's identity, either alone or when combined with other personal or identifying information that is linked or linkable to a specific individual. Due to the nature of personal information, the definition of PII is necessarily broad and not anchored to any single category of information or technology. Rather, it requires a case-by-case analysis of the specific risk that an individual can be identified through certain information.

3.9.19 Citizen Complaints

As part of addressing Alabama's long-term recovery needs, citizen complaints on any issues related to the general administration of CDBG-DR funds are welcome throughout the duration of the grant. It is subrecipients', and ultimately ADECA's, responsibility to ensure that all complaints are dealt with promptly and consistently and at a minimum, to provide a timely, substantive written response to every written complaint within fifteen (15) business days, where practicable, and document why additional time for the response was required.⁶³

⁶⁰ 2 C.F.R. § 200.303(e).

⁶¹ 2 C.F.R. § 200.303 – Internal Controls.

⁶² The definition of Personally Identifiable Information (PII) can be found at 2 C.F.R. § 200.1.

⁶³ 24 C.F.R. § 570.486(a)(7).