**ADECA CED Division**

**CDBG-DR Grant Program for Hurricanes Sally and Zeta**

**Financial Management and Program Income Policies and Procedures**

**Financial Management**

ADECA hereby adopts 2 CFR [Part 200, the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, established](https://www.ecfr.gov/current/title-2/part-200) on December 26, 2013, as applicable to ADECA and to the CDBG-DR Hurricanes Sally and Zeta subgrant recipients. The contents of 2 CFR Part 200 can be accessed at the website <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200?toc=1>.

ADECA also maintains the *ADECA Policies and Procedures Manual*, the most recent edition being issued on November 4, 2020, wherein Chapter 8 of this manual, entitled “Accounting and Financial Management,” contains the following ADECA’s policies and procedures for the Department’s accounting and financial management:

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| **8.0 ACCOUNTING AND FINANCIAL MANAGEMENT**  The major operations within ADECA’s accounting and financial management system are presented in this section. Transactions within this system are initiated as state funds are appropriated and federal grants are awarded to the Department. It is the policy of ADECA that the financial management system shall comply with both state and federal laws and regulations and be organized and managed in an efficient business-like manner. Federal grant programs shall be administered in accordance with 2 CFR Part 200 and other specific enabling legislation and regulations, as applicable.  **8.1 BUDGETING**  **8.1.1 ANNUAL DEPARTMENTAL BUDGET**  A budget request shall be prepared each year for submission to the Legislature of the State of Alabama. The budget request, contains all forecasted departmental federal revenues, requested revenue from the state’s General Fund, other expected revenue such as interest income, miscellaneous income, income from the sale of surplus property, budgeted expenditures both federal and state, and personnel and performance data. The budget request will be prepared by the Financial Services Section, based on information and input from the divisions and the Department Director, in accordance with instructions from the Executive Budget Office (EBO). ADECA shall prepare an Operations Plan based on the Department’s actual appropriation, as approved by the Legislature.  **8.1.2 FEDERAL GRANT BUDGETS**  In addition to the Department’s annual budget, a budget shall be prepared for each individual federal grant award by applicable program managers who also prepare program budgets and monitor program progress by comparing actual results with planned performance on a monthly basis in conjunction with the applicable division chief (see Section 9 for discussion). All federal grant budgets and budget revisions must be reviewed the Financial Services Section prior to their submission to the federal grantor agency. Program managers will ensure that documentation of program budgets is forwarded to the applicable accounting personnel who establishes budgetary controls within the ADECA accounting system for monitoring and reporting purposes.  **8.2 ACCOUNTING RECORDS**  Upon receiving notification of the approved federal award, the applicable accounting personnel shall prepare the necessary input documents for establishing the grant accounting records in the ADECA accounting system. The accounting records for state funds are established when notification is received that the state appropriation has been approved. The accounting records for each federal award and state appropriation are maintained in ADECA’s accounting system which records budgets, receipts, and expenditures by applicable budget line items or program activities.  To ensure the proper recording of state and federal grant-supported activities, ADECA’s accounting system is designed to meet the standards for fund control and accountability as required by state law and federal laws and regulations in accordance with 2 CFR 200.302. Monthly cost center reports and other reports, as necessary, are generated showing receipts and disbursements with budget-to-actual comparisons. These reports are used for reporting financial results to federal and state agencies.  The Department’s accounting records are maintained in a manner acceptable to the State of Alabama, and allows preparation of financial statements in accordance with generally accepted accounting principles. Reports to federal agencies are prepared on the cash or accrual basis as prescribed by the applicable awarding federal agency.  In addition to the computerized accounting records, other manual accounting records are maintained as necessary and include such items as voucher registers, cash receipt registers, and journal voucher registers.  **8.3 FEDERAL AND OTHER FUNDS RECEIVED (CASH RECEIPTS)**  **8.3.1 ALLOTMENT**  Upon approval of the Department’s Operations Plan, as discussed in Section 8.1.1, the Executive Budget Office (EBO) allots spending authority to ADECA quarterly based on total planned expenditures as submitted in the Operations Plan. If a change is necessary in the allotment or expenditure categories, an operations plan revision is submitted to the EBO following their guidance.  **8.3.2 REQUEST FOR STATE FUNDS**  To request the transfer of state funds from other state agencies, designated accounting personnel will prepare the appropriate invoice document in the State’s accounting system and notify the disbursing state agency’s accountant. For other state funds that are collected from fines or fees, the Department of Finance will record the deposit into the State’s accounting system. In both instances, the applicable accounting personnel will be provided with receipt documentation by the Control and Payroll Unit that funds have been received. Accounting personnel will prepare the necessary input document to record the transaction in the ADECA accounting system.  **8.3.3 TREASURY DRAWDOWN REGULATIONS AND PROCEDURES**  In accordance with 2 CFR 200.305, ADECA will comply with the applicable provisions of 31 CFR Part 205. The following procedures shall be used to forecast the cash needs of the Department and provide for advances or reimbursements to subrecipients:  • Applicable accounting personnel shall monitor their division’s cash position on a daily basis through the ADECA accounting system which gives the current total expenditures and balance of cash on hand for each fund/appropriation or by other means that provide sufficient data.  • Expenditure shall be forecasted by accounting personnel as necessary to project immediate cash needs and compared to the available cash balance. This is done by reviewing unpaid vouchers on hand and upcoming payroll needs.  • Advances requested by subrecipients shall be reviewed using current monitoring and other information and past program data, if available, to ensure that only a minimum amount of funds are advanced relatively close to the time that the subrecipient begins to incur cost.  • A drawdown request as discussed in Section 8.3.4, shall then be prepared by accounting personnel and submitted to the federal awarding agency or its designated payment system.  **8.3.4 REQUEST FOR FEDERAL FUNDS**  ADECA receives federal funds by direct electronic fund transfer (EFT) after either submission of a request for funds form or online data entry through a web-based portal payment system (ASAP, DRGR, IDIS, GPRS, PARS, or PMS). The method to request funds is subject to the requirements of the federal agency.  An email is prepared by the requesting accounting personnel to the Office of State Treasurer (State Treasurer). This email contains the minimum information:  • federal agency;  • date ordered;  • expected arrival date at the bank;  • bank;  • bank account number; and  • amount.  When the State Treasurer locates the incoming EFT, a corresponding email is sent to accounting personnel identifying the date and amount of the receipt. The accounting personnel then prepares the necessary input documents for recording the transaction in the State’s and ADECA’s accounting systems.  **8.3.5 OTHER RECEIPTS AND PROGRAM INCOME**  Other funds received by ADECA are from interest earned on temporary investments, sales of surplus property, and refunds from subrecipients for various reasons such as unexpected advances, disallowed or ineligible costs, joint programs with other State agencies, etc. Any program income earned by the Department from federal award-supported activities will be used and accounted for in accordance with 2 CFR 200.307.  **8.3.6 DEPOSITS**  Regardless of the type or source of funding or refunds received, documents must be prepared to record the deposit information in the State’s and Department’s accounting systems as well as the Treasurer’s records. The types of documents prepared and the point-in-time at which they are prepared vary depending on how the funds are requested or were received and the type of funds involved. The Department requires the preparation of either a Receipts Transaction or Voucher/Refund/Correction Transaction input document.  Cash or checks received at the Surplus Property warehouse will be recorded by the individual who opens the mail on the Cash/Check Control Register form. This form identifies the date, payor, check number, and amount. The form and the cash or checks will be forwarded to the Financial Services Section and the designated individual will verify the amount of cash received and the correctness of the details on the check to the recorded information on the form. He/she shall complete the date received in Financial Services Section, date stamp all checks, and make three copies of the Cash/Check Control Register and one copy of the check. The original check, one copy of the check, and the original Cash/Check Control Register form shall be given to accounting personnel to prepare the receipt input document. The second and third copy of the form shall be maintained in the designated individual’s file and the Control Unit’s file.  All other checks received by the Financial Services personnel will be recorded on either the ADECA Central Office Check Control Register or SPD Cash/Check Control Register (for Surplus Property checks mailed directly to the Financial Services Section). The central office register identifies the date received, payor, check #, amount, and applicable division to which the check applies. The surplus register identifies the same information except for the applicable division.  Accounting personnel shall prepare the applicable input document and submit to the Control and Payroll Unit personnel to enter in the State’s and ADECA’s accounting system within five working days of the date recorded on the applicable control register. Any exception to the five working day rule must be approved on the register form by the Chief Financial Officer. This supersedes any previous policy.  **8.4 FEDERAL AND STATE CASH DISBURSEMENTS**  **8.4.1 PROCESSING OF INVOICES AND OTHER REQUESTS FOR**  **PAYMENTS**  ADECA disburses cash to satisfy claims against the Department as follows:  Type of Payee Form of Payment Request  • Subrecipients requests for advance or reimbursement  • Vendors of Goods and/or Services invoices submitted under state purchase orders  • Consultants and independent contractors invoices submitted under contracts  • Employees payrolls and travel expense reimbursement  requests  Invoices and other requests for payment from subrecipients, vendors and contractors are generally received by mail or email from outside the Department. All mail shall be received in the General Services Unit mail room and distributed unopened to each division and section, when adequately identified on the envelope. Subrecipients shall request payment on forms and in a manner approved by ADECA. Each request will include a certification pertaining to the use of any funds advanced and the correctness of reported financial information, if any. The program manager shall approve any request only after reviewing for compliance with the award agreement. Accounting personnel shall process payment upon receiving the approved request only if sufficient funds are available.  Each division shall develop request for payment review procedures that provide for the following:  • Comparison of the request with specific spending requirements of the award agreement which includes verifying if items purchased are allowable in accordance with the budget and comparing budget line item amounts with cumulative expenditures reported for indication of budget overruns and possible problems.  • Determining the reasonableness of the amount requested in relation to:  The amount of cash on hand and unpaid obligations.  Whether ADECA funds are being used to cover temporary cash shortages of other sources.  Estimated expenditures to be made for the period requested.  Historical information developed from program monitoring reports, reports issued by the Audit Section, audit reports and other reliable sources.  The program manager shall initial the advance or reimbursement request and route the request for additional division level approvals, as appropriate. Requests for advances or reimbursements shall then be sent to the applicable accounting personnel in the Financial Services Section. All requests should be date stamped when received.  Invoices from contractors and vendors shall be given to the Financial Services Section Administrative Unit for date stamping and distribution.  Financial Services personnel receiving requests for reimbursement for subrecipients and invoices for vendors and contractors shall perform the following:  • Review the request for reimbursement and other invoices to ensure that they are supported by proper source documentation (if received from the division) which is determined to be necessary for a particular subaward as discussed in Section 8.4.3.  • Review the requests for reimbursement and other invoices for general reasonableness and correctness.  • Verify invoice additions, extensions and totals.  • Compare vendor’s invoices to the related contract to verify the correctness of the rates charged, expenses claimed, and other provisions, as applicable.  • If a subaward requires detailed budget information be submitted with the subrecipient’s request for reimbursement, this information shall be checked and added to verify its accuracy.  • Ensure that the requests and invoices contain all necessary approval initials. Subrecipient invoices must be approved by the appropriate division chief or person authorized to approve for the division chief except when approved by the Director or his/her designee.  • Ensure that the requests and invoices are coded with the appropriate fund numbers and cost centers to be charged as necessary.  • Verify that travel reimbursement requests are complete, mathematically correct and have proper approvals, travel applications and required receipts, etc. as required by the Governor’s Office and the Department of Finance.  • Initial each invoice by the grand total figure as certification that the above procedures were performed.  In conjunction with the processing of subrecipient requests for reimbursement, accounting personnel shall identify any matching or cost sharing reported and have such information entered into the ADECA accounting system at that time.  Requests for advances from subrecipients received by the accounting personnel shall be reviewed in relation to the grant agreement, with consideration for any debts outstanding against the subrecipient and the requirements of 2 CFR 200.305.  **8.4.2 CORRECTIONS OF ERRORS**  If errors are found on invoices or requests for reimbursement during processing, the following procedures shall be followed:  • If the source of the error can be located and is of a clerical nature or can be easily corrected, the correction shall be made.  • Correction of errors on request for reimbursement from subrecipients shall be made on the request forms by the approving program manager. Due to special circumstances program managers, with division chief approval, may choose to establish a policy of returning subrecipient invoices to the preparer rather than make corrections or request a corrected invoice.  • Correction of errors on invoices for materials shall be made by accounting personnel on the face of the invoice and an “Invoice Correction Notice” (currently Form D.F.C. 47) shall be prepared and attached to the payment document and remitted to the vendor with payment. Certain changes to non-allowable charges such as late fees and tax in addition to other changes to quantities received, unit price, or other non-allowable amounts shall be made on the invoice without preparing a correction notice. Changes made to dates, invoice numbers, and vendor name and/or address shall not be permitted.  • Correction of travel reimbursement requests shall be changed and signed by the traveler for in-state travel. Correction of out-of-state travel reimbursement requests shall be handled in accordance to instructions found in Chapter 5 of this manual.  • In the event the source of the error cannot be determined or source documentation is missing, the request for reimbursement or invoice shall be returned to the preparer.  **8.4.3 REQUIREMENTS FOR SOURCE DOCUMENTATION FROM**  **SUBRECIPIENTS**  Due to the variety of programs administered by ADECA, it is not possible to have a single policy covering source documentation requirements for subrecipients’ requests for reimbursement; therefore, the policy of ADECA is that a decision concerning source documentation requirements shall be made for each type of agreements during the subaward process (See Section 9 for discussion). Source documentation is discussed here since it is more closely related to payment request processing procedures.  2 CFR 200.305 states that subrecipients must be paid in advance provided they maintain or demonstrate the willingness and ability to maintain both written procedures to minimize the time elapsing between the transfer of funds and disbursement by the subrecipient, and financial management systems that meet the standards for fund control and accountability in accordance with 2 CFR 200.302. Subrecipients shall only request the minimum funds needed to cover disbursements ready to be released for invoices on hand or expected to be on hand by the time the funds are received. The timing and amount of the advances shall be as close as administratively possible to the actual disbursements. This procedure does not exclude the time the funds are received or the requirements for submission of source documents after the fact. The subrecipient shall follow the requirements of 2 CFR 200.305 (7)-(9) for all advances.  Reimbursement shall be the preferred method of payment when:  • the subrecipient cannot meet the requirements for advances,  • the federal awarding agency or the Department establishes a specific condition per 2 CFR 200.207, or  • the subrecipient requests to be paid by reimbursement.  If the subrecipient cannot meet the requirements for advances and the federal awarding agency or the Department determines that reimbursement is not possible, payment shall be on a working capital advance basis. Under this method, funds are advanced to the subrecipient to cover estimated disbursements for an initial period. Any subsequent payment after this initial period shall be on a reimbursement basis for actual cash disbursements.  Subrecipients must use program income, rebates, refunds, audit recoveries, and interest earned on federal funds before requesting additional cash payments on a subaward unless restricted by federal or state legislation or subaward provisions.  **Any advance of federal funds using the advance or working capital advance method and not disbursed within thirty days from the date of the payment must be refunded to ADECA**.  Unless required by federal statues, payments to subrecipients shall not be withheld unless the provisions of 200 CFR 200.207, 200.338, and 2 CFR 200. 305(b)(6) apply.  When considering source documentation requirements for subrecipients relating to a specific subaward, the following factors shall be considered:  • The complexity of the program as created by specific legislation including federal reporting requirements.  • Whether the program regulations require strict adherence to budget amounts and require that certain percentages of budget line items to total cost be maintained for costs to be eligible for reimbursement.  • The nature of the subrecipient organization, if other federal oversight responsibility exists and what audit requirements, if any are in place.  • Whether this particular subaward is funding a single program or providing primary funding for ongoing programs and administration.  • Prior experience with a particular subrecipient or type of subrecipient group including the adequacy of internal controls (2 CFR 200.303) and the financial management systems (2 CFR 200.302).  When it is decided that copies of source documentation are necessary, such documentation should be reasonably sufficient to substantiate the major costs claimed for each invoice or request for reimbursement. The documentation must substantiate the allowable costs in accordance with 2 CFR Part 200 Subpart E. A Source Documentation Guide is included in this section as Exhibit 8.1.  Documentation will not be required for professional services contracts or product oriented fixed price contracts. Normally, invoices for these type costs should itemize costs claimed and include the number of hours charged to the program and the rate for each classification of personnel involved. Refer to 2 CFR 200.459 for additional requirements.  Problems or questions concerning the adequacy of the source documentation should be discussed with the applicable program manager and/or designated individuals within the Financial Services Section, as necessary.  **8.4.4 VOUCHER PREPARATION AND PROCESSING**  Vouchers are prepared to establish amounts to be paid by ADECA and to indicate which fund, appropriation, activity, and state object codes are to be charged with the expenditure. The first step in the preparation of vouchers is the assembly of supporting documentation and preparation of an input document to process the transaction in the State’s and ADECA’s accounting systems.  Invoices and other requests for payments shall be organized by the applicable accounting personnel for entry into the ADECA accounting system as soon as possible after they are checked and approved. Source documents shall be arranged into two groups: (1) originals to be maintained in ADECA files and (2) copies to be submitted to the vendor/payee with the remittance. ADECA’s copies shall include the original payment request form, any related original material receipts, purchasing documentation, or other documentation supporting the request for payment. Examples of some of the more common source documents required are as follows:  • Payments to subrecipients – an approved request for reimbursement or advance with original signature and approvals is required. If an emailed invoice is accepted, it shall state that it is the original invoice.  • Payments under purchase orders – an approved vendor’s itemized invoice and material receipt are required.  • Travel expense reimbursement payments – a complete and approved copy of the Department of Finance’s reimbursement request form with receipts for out-of-state expenses and receipts for miscellaneous expenses when traveling in-state are required. Out-of-state travel reimbursement requests must also conform to current requirements as specified in Chapter 5 of this manual.  • Payment to travel agencies – a copy of the approved invoice, a copy of the related outof-state travel authorization, and the receipt portion of the airline ticket are required.  • Payments for professional services – an approved itemized invoice is required stating the nature of the service provided, the period covered, and the rates charged. Such invoices shall conform to the provisions of the related contract.  **8.4.5 VOUCHER PAYMENT**  A warrant is a written order to pay a specific amount of money from a payor to a payee drawn on the State Treasury for payment of vouchers processed through the State Comptroller’s Office. Warrants shall be picked-up by the General Services Unit personnel in accordance with the policies and procedures established by the State Comptroller’s Office and delivered to the Financial Services personnel for further processing and distribution. In lieu of a paper warrant, vendors and subrecipients shall be paid by electronic funds transfer at their request. It is the responsibility of the vendor or subrecipient to access the State’s vendor portal to select this payment option and enter the appropriate bank routing information. The Department shall not be responsible for verifying this information or any delay in payment resulting from inaccurate data entered by the vendor or subrecipient.  **8.4.6 PROCESSING AND PAYMENT OF PAYROLLS**  The eSTART Time and Attendance system shall be the official time recording system for leave and grant tracking. Employees’ eSTART timecards are reviewed by applicable accounting personnel on a semi-monthly basis for merit system and exempt employees and in accordance with terms of the contract for contract employees. Merit system and certain exempt employees shall be paid for their reported time two weeks after they submit their time and attendance reports, while contract and other exempt employees shall be paid for their time when it is reported.  After the initial review of eSTART timecards by accounting personnel, the timecard shall be reviewed by Control and Payroll Unit staff to ensure all corrections and issues are resolved prior to final approval of the timecard by the ADECA payroll clerk or designated Control and Payroll Unit staff in his/her absence. All corrections and approvals shall meet eSTART deadlines for processing to ensure ADECA employees’ leave balances and pay are correctly recorded in the State’s payroll system prior to payments. Any subsequent corrections that did not meet the payroll deadlines shall be processed through a supplemental payroll process with appropriate documentation to support the purpose of the correction and explanation for the supplemental request through the State’s Government Human Resource System (GHRS). After approval by the Control and Payroll Unit Supervisor or Chief Financial Officer, the supplemental request form shall be submitted to the State’s payroll system for processing.  Per the Department of Finance’s pay policy, employees shall be paid by electronic funds transfer to their designated bank account including in-state travel reimbursements. Employees not electing the EFT deposit method shall receive a prepaid debit card.  **8.4.7 INTERNAL CONTROLS**  Internal controls shall comply with 2 CFR 200.61-62 and 2 CFR 200.303 and apply to all programs regardless of funding source. To maximize the effectiveness and efficiency of automation, internal controls shall be programmed into the ADECA accounting system. External internal controls shall include separation of duties, additional review of submitted documentation for compliance with state, federal, and department requirements, and multiple levels of approvals. As a part of the Single Audit, all internal controls shall be evaluated for compliance, reasonableness, and adherence to internal control standards as promulgated by state and federal regulations and conditions of federal awards. Detailed internal controls for the payments, receipts and subawards shall be documented on the Financial Services Section’s team blog on the ADECA intranet. Internal controls of the State’s accounting system shall be documented by the Department of Finance. Information concerning these internal controls shall be referred to the Department of Finance.  **8.5 INDIRECT COST**  To allocate costs incurred for joint objectives, the Department shall utilize an indirect cost allocation plan (See 2 CFR 200.416). This plan shall be negotiated with and approved by ADECA’s federal cognizant agency (See 2 CFR 200.19.). 2 CFR 200.56 defines indirect costs 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 . . . “  Indirect cost invoices shall be prepared and submitted to each division based on the application of their approved provisional indirect cost rate and projected expenditures as identified from the Operations Plan. This billing shall provide a means for transferring funds into the support services/indirect cost appropriation for operating capital. The amount transferred shall be adjusted accordingly when the cost allocation plan for the year is finalized.  **8.6 CLOSING PROCEDURES**  ADECA shall close its accounting records on the last working day of each month to facilitate the preparation of periodic financial statements and reports. Accounting personnel shall endeavor to process all invoices and other requests for payment prior to closing to ensure the most current data has been recorded. Accruals, as needed, together with any correcting entries considered necessary, shall be entered prior to month-end.  Annual closing procedures shall be initiated after receiving a yearend close-out schedule from the State Comptroller’s Office. During this period, the Financial Services Section personnel shall ensure that all documents are processed as instructed and shall verify that correctness of ADECA accounting records.  **8.7 FINANCIAL REPORTING**  **8.7.1 MONTHLY REPORTING**  Once all monthly closing procedures have been performed, the Control and Payroll Unit Supervisor, or designated personnel in his/her absence, shall obtain the following monthly reports from the ADECA accounting system:  • Department Status Reconciliation Report – This report gives monthly and year-to-date expenditures (both paid and outstanding vouchers), operations plan budgets, and budget-to-actual comparisons. The report is used by accounting personnel to balance the fund, program, and state object code totals with the Department of Finance.  • Receipt Register – This report is by fund and appropriation giving monthly and year-todate receipt totals and monthly receipt detail by receipt number. The report is used by accounting personnel to balance receipts with the Department of Finance.  • Cost Center Monthly Report – This report is used by applicable accounting personnel and program managers. The report identifies all budgets, receipts, and expenditures for each funding source and in-kind/match by cost center. Expenditures, by funding source and in-kind/match, are also reported by federal line item for current and year-to-date. Summary and detail budget to actual comparisons are reflected for each federal line item. In addition, this report identifies cash balance by cost center, cost center period, federal or state award numbers, and the provisional indirect cost rate.  • Cost Center Summary Report – This report is a summary of the Cost Center Monthly Report’s detailed information. The report identifies the cost center, a federal/state award description, and the award period. The totals for year-to-date budgets (by each funding source and in-kind/match), expenditures, receipts, and a cumulative budget-toactual comparison is shown by federal award number. Accounting personnel use this report to order funds from the federal agencies by federal award.  • Contract Status Report – This report presents a list of all subawards by cost center giving the subrecipient’s name, subaward number, subaward period, subaward budget amounts, current and year-to-date (in summary and detail by federal line item) payments, in-kind/match (in summary and detail by federal line item), budget to actual by federal line item, and balances by source of funding.  • Indirect Cost Distribution Report – This report is used to assist with charging out funds transferred to the support services/indirect cost appropriation as applicable.  The above reports shall be distributed to the applicable accounting personnel for reconciliation and verification. After all checks and reviews have been completed, the reports shall be distributed, as requested, to program personnel.  Specific reports may be requested by various divisions to meet the monitoring or reporting needs of federal awards by either accounting personnel or program managers. These reports shall be obtained from the ADECA accounting system by special request or, if needed on a continuing basis, included in the monthly reports.  **8.7.2 QUARTERLY REPORTING**  The federal awarding agency shall prescribe the frequency and type of financial reports for each program. 2 CFR 200.327, subsequent updates by the Office of Management and Budget (OMB) on their website (https://www.whitehouse.gov/omb), and the federal award shall be consulted for types of reports that shall be submitted and the frequency that reports shall be required. Forms shall be prepared by the applicable accounting personnel and routed for appropriate approvals and signature.  **8.7.3 ANNUAL REPORTING**  As of September 30th of each year, the end of the State’s fiscal year, the Financial Services designated personnel shall submit the requested information in a predetermined format to the Alabama Department of Examiners of Public Accounts. As instructed by memorandums from the Comptroller’s Office prior to the end of the fiscal year, a list of encumbrances shall be prepared as of September 30th and submitted to the Comptroller’s Office. Other information for a state fiscal year nature shall be prepared as needed or requested.  2 CFR 200.327 and subsequent updates by the OMB as referenced in 8.7.2 above shall also be consulted for annual reporting requirements in addition to guidance from federal awarding agencies or requirements of the federal award agreement.  **8.7.4 GRANT CLOSEOUT**  Instructions received from the federal awarding agency or specified in the award agreements and 2 CFR 200.343 shall be consulted to ensure proper grant closeout reporting requirements are followed.  **8.8 AUDIT REQUIREMENTS**  The Department’s financial information shall be audited as part of the State’s Comprehensive Annual Financial Report by the Examiners of Public Accounts (the Examiners) as required by the *Code of Alabama 1975*, Section 41-5-14 and Section 41-5-21. The financial statements shall be prepared by the Department of Finance in accordance with generally accepted accounting principles. The audit shall be prepared in accordance with generally accepted auditing standards and *Government Auditing Standards*.  The Department shall comply with all responsibilities of 2 CFR 200.508. A Schedule of Expenditures of Federal Awards shall be prepared by the designated Control and Payroll Unit personnel as of the end of the State’s fiscal year and submitted for review and audit determination to the Examiners. The Examiners shall ensure that the Single Audit is performed in accordance with 2 CFR Part 200 Subpart F, generally accepted auditing standards, *Government Auditing Standards*, and the Compliance Supplement in accordance with 2 CFR Part 200, Appendix XI. The Compliance Supplement is located on the OMB website at <http://www.whitehouse.gov/omb>.  **Exhibit 8.1 SOURCE DOCUMENTATION GUIDE**   |  |  | | --- | --- | | **Cost Category** | **Supporting Documents** | | Personnel & Fringe Benefits | Time sheets, timecards, payroll register, pension rates, insurance rates, worker’s compensation rate, and time allocation plan. | | Travel | Approved travel application or travel statement with itemized trip expenses including hotel, meal and transportation receipts if out-of-state. | | Equipment | Copies of vendor invoice reflecting receipt and approval for payment including procurement history. Authorization from awarding entity if required. | | Supplies (General Office)  Other (Printing, phone, rentals, etc.) | Copies of vendor invoices reflecting receipt and approval of payment including procurement history and proper procurement authorization as applicable. | | Indirect Costs | Copies of invoices. Approved indirect cost allocation plan and copy of approved indirect cost negotiation agreement from federal cognizant agency. | | Contractual Services | Copies of contractor invoices including procurement history and procurement authorization. | |

ADECA also maintains a Management and Implementation Manual to guide the timely operations of grant projects funded with CDBG Program funds. That Manual will be applicable to the administration of the CDBG-DR Grant Program for Hurricanes Sally and Zeta. That Manual is posted on the ADECA website ([www.adeca.alabama.gov](http://www.adeca.alabama.gov)) at the link <https://adeca.alabama.gov/cdbg/cdbg-management-and-implementation-manual/>.

# CDBG Management and Implementation Manual

The CDBG Management and Implementation Manual provides information for grant recipients and administrators to properly manage projects funded through the CDBG program. The manual is separated into specific chapters based on subject matter. For specific questions not covered here, contact the ADECA program supervisor for your region.

**Management and Implementation Manual**

[Chapter 01 – Program Management](https://adeca.alabama.gov/wp-content/uploads/Chapter-01-Program-Management.doc)

[Chapter 02 – Environmental Management](https://adeca.alabama.gov/wp-content/uploads/Chapter-02-Environmental-Management.pdf)

[Chapter 03 – Financial Management](https://adeca.alabama.gov/wp-content/uploads/Chapter-03-Financial-Management.doc)

[Chapter 04 – Procurement and Contracting](https://adeca.alabama.gov/wp-content/uploads/Chapter-04-Procurement-and-Contracting.doc)

[Chapter 05 – Civil Rights](https://adeca.alabama.gov/wp-content/uploads/Chapter-05-Civil-Rights.doc)

[Chapter 06 – Labor Standards and Contract Compliance](https://adeca.alabama.gov/wp-content/uploads/Chapter-06-Labor-Standards-and-Contract-Compliance.doc)

[Chapter 07 – Housing Rehabilitation](https://adeca.alabama.gov/wp-content/uploads/Chapter-07-Housing-Rehabilitation.doc)

[Chapter 08 – Real Property Acquisition](https://adeca.alabama.gov/wp-content/uploads/Chapter-08-Real-Property-Acquisition.doc)

[Chapter 09 – Relocation](https://adeca.alabama.gov/wp-content/uploads/Chapter-09-Relocation.doc)

[Chapter 10 – Audit](https://adeca.alabama.gov/wp-content/uploads/Chapter-10-Audit.doc)

[Chapter 11 – Close Out](https://adeca.alabama.gov/wp-content/uploads/Chapter-11-Close-Out.doc)

[Chapter 12 – Economic Development Fund](https://adeca.alabama.gov/wp-content/uploads/Chapter-12-Economic-Development-Fund.doc)

[Chapter 13 – Compliance Checklist](https://adeca.alabama.gov/wp-content/uploads/Chapter-13-Compliance-Checklist.pdf)

Chapter 3 of the Management and Implementation Manual pertains to “Financial Management.” Chapter 3 states as follows:

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| **CHAPTER III**  **FINANCIAL MANAGEMENT**  I. INTRODUCTION  Effective financial management is the heart of grant management. It must accomplish complete, effective control over and accountability for all funds, property and other assets of the CDBG program. Financial management is critical to the locality’s ability to properly administer Federal funds. The locality should meet Federal and State requirements with its existing management and financial systems. However, a need to augment your present system by developing special procedures for grant administration may exist.  Prior to implementing the grant, your community must review its financial systems to see if they meet the requirements discussed in this chapter and required by Federal and State law. Effective financial management includes the following tasks:  TASKS A: Designate One Individual to Coordinate the Financial Transactions Related to the CDBG Program.  B: Establish Standards for Grantee Financial Management System.  C: Address Procedures and Criteria Regarding Matching Share (If Applicable).  D: Address Program Income.  E: Identify State and Federal Bonding and Insurance Requirements.  F: Determine Costs Applicable to Grants and Contracts.  G: Set Up Accounting System.  H: Draw Down Funds.  I: Develop Property Management Standards.  J: Establish Retention and Custodial Requirements for Records.  K: Address Budget Revisions, Program Amendments, and Grant Terminations.  Other important responsibilities of financial management are discussed in other chapters or are the subject of a chapter. For example, procurement and contracting procedures is the subject of Chapter IV; assignment of grant management responsibilities, filing systems, and monitoring and reporting are tasks in Chapter I; and audits are discussed in Chapter X. Remember, financial management is the heart of grant management.  II. REFERENCES  \* Title I, Housing and Community Development Act of 1974, as amended, 1990.  \*\* Section 104 provides that financial records must allow for reviews and audits.  \*\* Section 105 provides that accounting principles and procedures are established to demonstrate that funds are used for eligible activities.  \* CDBG Regulations, 24 CFR 570.489(e) addresses program income.  \* Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, or the Common Rule, as adopted by the ADECA.  \* OMB Circular A-87, Cost Principles for State and Local Governments provides requirements for determining the allowable costs of programs administered by State and local governments under grants and contracts with or from the Federal government.  Contact your ADECA Program Supervisor for references not included in the Management and Implementation Manual.  III. GRANTEE RESPONSIBILITIES  Effective financial controls are essential to grant management. Make sure your community’s present system conforms to Federal and State requirements. The following tasks will assist in meeting this responsibility.  TASK A: DESIGNATE ONE INDIVIDUAL TO COORDINATE THE FINANCIAL TRANSACTIONS RELATED TO THE CDBG PROGRAM  This individual should serve as fiscal coordinator and approve all purchase documents, contract invoices, payroll actions, etc. related to your CDBG funds. However, this person should not perform the disbursing and recording functions associated with accounting documents and the accounting department. This approval process should be incorporated as a part of the agency’s internal controls, Task B.3.  This person might be a member of your local finance or accounting department, or a member of the county commissioner’s/mayor’s or city manager’s staff. Where a Community Development Department has been established, a Fiscal Coordinator may be designated within the department to perform these duties.  TASK B: ESTABLISH STANDARDS FOR GRANTEE FINANCIAL MANAGEMENT SYSTEM  The Common Rule, Subpart C prescribes standards for financial management systems for grant supported activities (Exhibit III-9). Review your community’s financial management systems to make sure they provide the following:  1. Accurate, current and complete disclosure of the financial results of each grant program according to reporting requirements established in Subpart C, .20. Accrual basis reporting is prescribed; however, your locality is not required to establish an accrual accounting system. Instead, develop such accrual data for required reports by analyzing accounting records on hand.  2. Records that identify adequately the source and application of funds for grant supported activities. These records must contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income. Task G, “Set up Accounting System,” provides further discussion on preserving the audit trail.  3. Effective control over and accountability for all funds, property, and other assets. Your systems must adequately safeguard all such assets and assure they are used solely for authorized purposes. The “Internal Control Questionnaire” is an excellent checklist for internal accounting controls of an organization. It is highly recommended that you use this questionnaire to analyze the effectiveness of your local internal accounting controls (Exhibit III-1). Task G, “Set up Accounting System,” provides information about proper accounting systems, ledgers, etc.  4. Comparison of actual outlays with budgeted amounts for each grant. Also, relation of financial information with performance or productivity data, including the production of unit cost information whenever appropriate and required. Budgetary controls are discussed in Task G, below.  5. Procedures to make drawdowns by the letter of credit from the ADECA. The State CDBG Intergovernmental Policy Letter Number 10, revised, “Policy on State Letter of Credit Drawdowns,” establishes drawdown procedures. These procedures are presented in Task H, below.  6. Procedures for determining reasonableness, allowability, and allocability of costs according to the provisions of 0MB Circular A-87. Task F, below, identifies costs applicable to grants and contracts.  7. Accounting records supported by source documentation. Refer to Task G, below, and “Source Documentation Guide” for additional information (Exhibit III-2).  8. A systematic method to assure timely and appropriate resolution of audit findings and recommendations. 0MB Circular A-128, and Chapter X, “Audit”, as well as the ADECA audit policy discuss audit procedures.  As a recipient of CDBG funds, you must require subgrantees to adopt the standards of the Common Rule as adopted by the ADECA.  TASK C: ADDRESS PROCEDURES AND THE CRITERIA REGARDING MATCHING SHARE (IF APPLICABLE)  If your community agreed to a grant “Matching Share” the following applies:  The Common Rule, Subpart C.24, “Matching or Cost Sharing,” establishes criteria and procedures for allowing matching (Exhibit III-9).  When the grant application was submitted and your Chief Executive Officer executed the “Grant Agreement,” your community agreed to match the expenditures incurred in executing activities through expenditures of local funds, or the value of third party contributions.  The ADECA has established uniform policies governing the use and recordkeeping for local contributions (See Exhibit PL-3, State CDBG Intergovernmental Policy Letter Number 3, “Policy on the Use of Match in the Community Development Block Grant Program as Related to Local Man Hours and Use of Equipment”).  Failure to Meet Local Contributions  If the cash or local contributions cannot be met, your Program Supervisor should be notified immediately. The ADECA may reduce the CDBG grant so that the original local match/CDBG ratio is maintained. The grantee will also be considered to have serious program performance problems. Future eligibility for funds may be jeopardized.  NOTE: If your grant application includes ARC funds the order of expenditure is:  1. CDBG funds.  2. ARC funds.  No deviation in order of expenditure is allowable.  NOTE: If your grant application includes RD funds the order of expenditure is:  1. CDBG construction funds.  2. RD Loan.  3. RD Grant.  Deviation may be possible in special circumstances with prior written approval of RD and the ADECA.  Recordkeeping  State CDBG Intergovernmental Policy Letter Number 3 specifies requirements for local man hours and equipment usage (labor and use of equipment). Refer to Exhibit PL-3 for detail as well as Exhibit III-6, Equipment Rental Rates Request form.  The Common Rule as adopted by the ADECA and 0MB Circular A-87 recordkeeping requirements must be kept.  TASK D: ADDRESS PROGRAM INCOME  Program income is gross income earned by a grant recipient from grant supported activities other than interest earned on advances. Such earnings include, but are not limited to:  \* Proceeds from the disposition of real property.  \* Payments of principal *and* interest on rehabilitation loans.  \* Reimbursements to and interest from revolving loan funds.  \* Proceeds from special assessments levied to recover the cost of constructing a public work or facility to the extent such cost was paid with State CDBG funds.  \* Usage or rental fees.  The Common Rule Subpart C.25, “Program Income” and State CDBG Intergovernmental Policy Letter Number 7 establish standards and policies that govern program income (Exhibits III-9 and PL-7, respectively).  Your community must return to the State any interest earned on grant funds advanced by the State.  Exception: interest on housing rehabilitation loans and revolving loan funds, or accumulated interest less than $100.00 per twelve month period as defined by ADECA. A unit of local government may keep up to $100.00 per fiscal year for administrative costs.  Unless otherwise stated in the “Grant Agreement” or close out assessment, your community shall retain program income and use it for approved activities according to the following rules:  Program Income Received During the Grant Period  \* Accumulated program income less than $25,000 per twelve month period as defined by the ADECA may be treated as miscellaneous income. If $25,000 or over, all such income must be returned to the State.  \* Program income in the form of repayments to a revolving fund established to carry out an activity must be substantially disbursed from such fund before additional draws are made from the letter of credit for the same activity.  \* All other program income must be substantially disbursed for any approved activity before additional draws are made from the letter of credit.  \* Program income should be recorded as part of the grant program transactions.  TASK E: IDENTIFY STATE AND FEDERAL BONDING AND INSURANCE REQUIREMENTS  State CDBG Intergovernmental Policy Letter Number 6, “Policy of Fidelity Bond Requirements” and State Intergovernmental Policy Letter No. 14, provide standards and requirements for bonding and insurance (Exhibits PL—6 and PL-14, respectively). The following must be met:  Fidelity Bond  \* State policy reserves the right to require a fidelity bond for positions of trust having direct or indirect access to CDBG cash, securities, or other assets convertible to cash.  \* The cost of a fidelity bond is an eligible CDBG expenditure. However, if bonding is obtained for the entire workforce of the community only a pro rata share is allowable for CDBG.  Insurance Requirements for Cash Depositories  \* CDBG funds must be deposited in a bank with Federal Deposit Insurance Corporation (FDIC) insurance coverage. (State Policy Letter No. 14,  Exhibit PL-14.)  \* Any balance of CDBG funds deposited in a bank with FDIC coverage which exceeds $100,000 must be collaterally secured.  Bonding and Insurance Requirements for Contracts  \* Chapter IV, “Procurement and Contracting Procedures,” Task B, outlines bonding and insurance requirements for contracts.  TASK F: DETERMINE COSTS APPLICABLE TO GRANTS AND CONTRACTS  Establish a system to review and determine the reasonableness, allowability and allocability of expenditures under the CDBG program. To assist with this task follow the principles and standards established in 0MB Circular A-87. This task will only highlight and list A-87’s contents. Refer to Exhibit III-11 for details.  Allowable Costs  An allowable cost must meet the following general criteria:  \* Be necessary and reasonable for the proper and efficient administration of grant activities.  \* Be allocable to the grant.  \* Be authorized under State or local law.  \* Conform to any limitations or exclusions of Federal laws and regulations.  \* Be accorded consistent treatment.  Allocable Costs  \* A cost is allocable to a particular cost objective to the extent of benefits received by such objective.  For example: An individual spends 75% of his/her time on a FY1999 grant and 25% on FY2000. The FY99 grant is charged with 100% of the time. Salaries are allowable costs but only in the percent (%) allocable. Proper charges should be 75% for FY99 and 25% for FY00.  \* Costs allocable to a particular grant or cost objective may not be shifted to other Federal grant programs to overcome fund deficiencies or to avoid restrictions of the law or grant agreements.  \* Where an allocation of joint cost results in charges to a grant program a cost allocation plan is required.  Applicable Credits  \* Applicable credits refer to those receipts or reduction of expenditure type transactions which offset or reduce expense items allocable to grants as direct or indirect costs. Examples are purchase discounts, rebates or allowances, sale of equipment, adjustments of overpayments or erroneous charges, etc.  Composition of Costs  \* The total cost of a grant program is comprised of allowable direct costs incident to its performance, plus its allocable portion of allowable indirect costs less applicable credits.  Direct Costs  \* Direct costs are those identified specifically with a particular cost objective.  Examples: Labor and materials, etc.  Indirect Costs  \* Indirect costs are those:  \*\* Incurred for a common or joint purpose benefiting more than one cost objective, and  \*\* Not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved.  \* Indirect costs may include costs originating in the Community Development Department and/or those incurred by other departments in supplying goods, services, or facilities to the Community Development Department or grant program. Indirect costs must be supported by an Indirect Cost Plan which must be available for review.  Cost Allocation Plan  \* A plan for allocation of costs is required to support the distribution of any joint costs of the grant program. Formal accounting records must support these costs.  \* For specific cost allocation plan requirements refer to Circular A-87, Attachment A, Section J. Contact your ADECA Program Supervisor assigned to your program for assistance.  Allowable Costs  Attachment B of Circular A-87 provides standards for determining the allowability of selected items of costs (Items listed below). The standards apply whether the item of cost is a direct or indirect cost. Failure to list a particular item of cost does not imply that it is either allowable or unallowable. Base the determination of allowability on the treatment of standards provided in the 0MB Circular A-87.  For Example: Accounting. The cost of establishing and maintaining accounting and other informal systems required for the management of the grant program is allowable. The cost of maintaining central accounting records required for overall government purposes, such as appropriation and fund accounts by the Treasurer, Comptroller, or similar officials, is considered to be a general expense of government and is not allowable.  Allowable Costs  1. Accounting.  2. Advertising.  3. Advisory councils.  4. Audit service.  5. Bonding.  6. Budgeting.  7. Building lease management.  8. Central stores.  9. Communications.  10. Compensation for personal service.  11. Depreciation and use allowances.  12. Disbursing service.  13. Employee fringe benefits.  14. Employee morale, health, and welfare costs.  15. Exhibits.  16. Legal expenses.  17. Maintenance and repair.  18. Materials and supplies.  19. Memberships, subscriptions, and professional activities.  20. Motor Pools.  21. Payroll preparation.   1. Personnel administration.   23. Printing and reproduction.  24. Procurement service.  25. Taxes.  26. Training and education.  27. Transportation.  28. Travel.  Costs Allowable With Approval of the ADECA-CSD  1. Automatic data processing.  2. Building space and related facilities.  3. Capital expenditures.  4. Insurance and indemnification.  5. Management studies (Approval of contract not required).  6. Pre-agreement costs.  7. Professional services.  8. Proposal costs.  Unallowable Costs  1. Bad debts.  2. Contingencies.  3. Contributions and donations.  4. Entertainment.  5. Fines and penalties.  6. Governor’s expenses.  7. Interest and other financial costs.  8. Legislative expenses.  9. Under-recovery of costs under other grant agreements.  TASK G: SET UP ACCOUNTING SYSTEM  Accounting systems provide a means for measuring and reporting resources that flow into and out of a jurisdiction, resources controlled by the jurisdiction, and claims against those resources. Your local accounting procedures should systematize the collection, processing, evaluation, and reporting of CDBG transactions. Grant transactions should be recorded in your existing system; however, some adjustments may be required to comply with Federal standards.  Federal standards for CDBG accounting are described in two principal documents:  \* The Common Rule as adopted by the ADECA.  \* The Super Circular at 2 CFR Part 200.  Maintain a financial accounting system for the CDBG program that provides accurate, current and complete disclosure of the financial status of each activity. This system may serve many purposes. Among these are to:  \* Record all project transactions (CDBG, local, third party in kind);  \* Generate regular financial status reports;  \* Measure periodic results of operation against budget; and  \* Report results of operations to the ADECA, local officials and the public.  Procedures must be in place to make sure that:  \* Sound internal accounting and administrative controls are maintained over financial transactions; and  \* Effective control is maintained to safeguard physical assets.  The “Internal Control Questionnaire” is a useful tool to help assess your locality’s internal controls (see Exhibit III-1).  Accounting Procedures to Address  1. Establish the CDBG Fund (a special revenue fund) to account for all project monies within the fund, including program income, local contributions, CDBG and other sources of revenue.  \* Maintain a complete set of general ledger and subsidiary accounts for the fund.  \* Conduct double entry bookkeeping where the Debit (DR) or Credit (CR) balances are maintained on each general ledger account and the sum of all debits equals the sum of all credits.  \* Record all project transactions whether funded from CDBG or other resources.  2. Create a complete chart of accounts for the CDBG fund. Exhibit III-3 presents a sample set of general ledger accounts.  \* Maintain supporting records to summarize expenditures and revenues by the following categories:  \*\* Activity.  \*\* Project.  \*\* Objects of expenditure.  \*\* Revenue source.   1. Assign standard coding to each element in the chart of accounts. As much as possible, this coding should be consistent with the coding structure already in use by your community.   \* Apply coding on all source documents.  CDBG Accounting Records  Accounting records make it possible to identify the financial position and operations of the CDBG funded project. These records must identify the source and application of all funds committed to the project. Records must identify the results of project operations by fiscal year and by contract.  Books of original and final entry are essential to an accounting system. Books of original entry are the accounting records into which information is first posted. Books of final entry are the summary records used to accumulate accounting information for financial reporting. You must maintain the following books of original and final entry:  Books of Original Entry  1. Cash Receipts Journal — This register maintains a record of all cash received and deposited into the CDBG fund. The record should include:  \* The date the funds are received,  \* The document number,  \* The source of funds (State, local, program income, etc.),  \* Amount,  \* Account to which funds were assigned.  2. Cash Disbursement Journal — This register records all expenditures. This record should include the:  \* Date of payment,  \* Name of payee,  \* Check Number  \* Amount,  \* Account for which disbursement was made.  3. General Journal — This journal records all noncash transactions. This book of original entry shows:  \* The account and amount to be debited,  \* The account and amount to be credited,  \* A description of the transaction (For example — sale of equipment on account).  Books of Final Entry  1. General Ledger ––This ledger summarizes the status of each account in the CDBG accounting system. One ledger should be designated for each account listed in the chart of accounts.  2. CDBG Cash Control Worksheet-This important document:  \* Summarizes the status of Federal cash on hand,  \* Assists in determining subsequent cash requests,  \* Provides the ADECA with a review document for analyzing CDBG cash on hand,  \* Is more effective when completed on a daily basis.  The ADECA developed this document to use in lieu of the ‘Federal Cash Control Register” with which many of you may be familiar. You may use either document. The “CDBG Cash Control Worksheet” is not a required record to maintain; however, it is strongly recommended (see Exhibit III-4).  Additional Accounting Records  To enhance CDBG financial reporting and control you may use many other accounting records. Some examples follow:  1. Fixed Asset Ledger — This ledger book of final entry provides a listing of all fixed assets acquired with CDBG funds. It may be used in conjunction with the “ADECA Property Management Inventory of Non-consumable Personal Property” (Task I, below, Exhibit PL—5A).  2. CDBG Expenditure Summary Report — This report provides details by activity and project on the status of expenditures in relation to budgeted amounts. This book of final entry:  \* Allows you to track the status of each budget item as well as provide a method to avoid exceeding appropriations, and  \* Serves as a cross-check to certain general ledger accounts.  The total of all appropriations, expenditures, and encumbrances summarized on this report should equal the total appropriations, expenditures, and encumbrances in the general ledger.  3. Receivable and Payable Subsidiary Ledger — This is a book of final entry. A separate account is maintained in this record for each individual or vendor that owes money to (Receivable) or is owed money from (Payable) the CDBG program. Such a subsidiary ledger might also be used to record travel advances to employees.  Source Documents  Accounting records must be supported by source documentation. Source documents include internally and externally generated forms such as:  \* Purchase requisitions,  \* Purchase orders,  \* Contracts,  \* Contract invoices,  \* Payment vouchers or check requests,  \* Employee time and equipment usage report (Exhibit III—5),  \* Travel reimbursement vouchers,  \* Journal vouchers.  The Sample “Source Documentation Guide” provides additional examples (see Exhibit III-2).  Source documents initiate accounting transactions. Payment must never be made without delivery of goods and services and without vouchers and invoices physically in hand. You must secure and retain these documents for three years from the date of close out or until any litigation or audit findings are resolved, whichever time period is greater.  For technical assistance and information regarding accounting records contact your ADECA Program Supervisor.  TASK H: DRAW DOWN FUNDS  State CDBG Intergovernmental Policy Letter Number 10, “Policy on State Letter of Credit Drawdowns,” establishes procedures for drawdowns of CDBG funds  (Exhibit PL­10). The policy is:  \* A limit of two (2) draws per month. (Exception:  To meet unexpected cash needs vital to program  progress. Grantee must obtain your ADECA Program  Supervisor’s prior approval.)  \* “immediate cash needs” is interpreted as not to exceed 14-16 days depending on the month.  A “CDBG Cash Control Worksheet” has been designed to help minimize CDBG cash on hand by providing a daily analysis of cash receipts and disbursements. Exhibit III-4 will assist you with determining subsequent drawdowns and provides the ADECA with a review document to analyze CDBG cash on hand.  You are encouraged to complete the worksheet on a daily basis and retain one copy in the project’s financial records. This document is not required, but is highly recommended.  To request cash:  1. Determine cash needs.  2. Prepare “Request for Payment” Form 001 State CDBG (Exhibit III-8, REQUIRED). The “Request for Payment” must contain one of the three signatures on the “Certification” submitted as required by the “Letter of Conditional Commitment” (Exhibit 1-7).  3. Make sure the above report is complete, accurate and executed by authorized officials.  4. Submit the report to your ADECA Program Supervisor. Allow 14 days for processing.  5. After receipt of the State warrant, disburse cash on hand as soon as possible, but no later than 16 days.  TASK I: DEVELOP PROPERTY MANAGEMENT STANDARDS  State CDBG Intergovernmental Policy Letter Number 5, “Policy on Grantee Property Management Procedures,” and the Common Rule, Subpart C.31 and the ADECA Subgrantee Property Manual provide uniform standards and procedures governing the use and disposition of property acquired in whole or in part with Federal funds. Please refer and adhere to these three (3) documents for uniform guidance (Exhibits PL-5 and III-9, respectively). The ADECA Subgrantee Property Manual can be obtained by contacting your ADECA Program Supervisor.  TASK J: ESTABLISH RETENTION AND CUSTODIAL REQUIREMENTS FOR RECORDS  The Common Rule, Subpart C.20 and .42, requires you to maintain accurate and complete CDBG records concerning management, financial transactions, supporting documents, statistical documents, contracts, etc., of the CDBG program. You must also retain these records and allow access as noted below:  1. Financial records, supporting documents, statistical records, and all other records pertinent to the grant program must be retained for a period of three years from the date of close out, except as follows:  \* If any litigation, claim or audit is started before the expiration of the 3-year period the records must be retained until all litigations, claims, or audit findings are resolved. If resolved prior to the end of the 3-year period, records must be maintained for the entire three years.  \* Records for non-consumable personal property acquired with CDBG funds must be retained for three years after its final disposition.  2. Authorized representatives of the State of Alabama, the U.S. Department of Housing and Urban Development and the Comptroller General of the U.S., or any of their duly authorized representatives, shall have access to any pertinent books, documents, papers, or records of grantees and subgrantees to make audits, examinations, excerpts, and transcripts.  The above requirements regarding access to and retention of records must be included in agreements or contracts for goods, services, or labor.  TASK K: ADDRESS BUDGET REVISIONS, PROGRAM AMENDMENTS, AND GRANT TERMINATIONS  Budget Revisions  \* Budget revisions as a result of grant reduction or elimination identified in the “Letter of Conditional Commitment” are discussed in Chapter I, Task B.  \* Budget revisions due to changes in the approved program or any activity are discussed in State CDBG Intergovernmental Policy Letter Number 2 (Exhibit PL-2).  Amendments  Amendments to CDBG programs are changes to the approved program or activities which alter any of the following:  \* Dollar amounts spent on any activity.  \* Beneficiaries of any activity.  \* Geographic location(s) of any activity.  \* Design nature of an activity. (Example:  increasing size of water lines or drainage pipes, etc.)  \* Policies and procedures of the approved Housing Rehabilitation Program.  State CDBG Intergovernmental Policy Letter Number 2, “Policy on Program Changes, Amendments, and Cost Underruns (Revised)” provides guidance to localities on the types of changes which require State approval (Formal Amendments) and the types which do not (Local Amendments). Exhibit PL-2 provides detailed requirements.  Terminations  \* The “Grant Agreement” between the recipient and the State provides two sections, “E” and “F”, for termination, thus revoking grant funds. Refer to the “Grant Agreement” for provisions.  \* The ADECA has prepared a document “Termination of Grant Agreement.” It  addresses reasons for termination initiated by the grantee as well as the State  and provides detailed procedures and responsibilities. Contact your ADECA  Program Supervisor concerning this information.  IV. RECORDKEEPING AND FILES  Recordkeeping and files for financial management must be complete, accurate, and in compliance with Federal and State law. Auditable records are essential to a CDBG program. The following records and files must be physically located on the premises of the locality, not with a consultant:  \* Designation of Fiscal Coordinator.  \* Accounting books of original and final entry and additional records maintained on the CDBG program.  \* Letter of Credit documents.  \*\* Certification of Signatures. (Exhibit I-7 and Form 001 State CDBG, “Requests for Payment" for ARC projects).  \*\* Copies of drawdown request.  \*\* Cash Control Worksheet. (optional)  \* Source documents.  \* Canceled checks, deposit slips, bank statements, etc.  \* Property inventory, reports, certifications, and other property records.  \* Correspondence to and from the ADECA regarding any required waivers or prior approvals.  \* Grant Agreement, Letter of Conditional Commitment, etc.  \* Amendments and budget revisions, if any.  \* Evidence of fidelity bond, if appropriate.  \* Cost Allocation Plan, if any (including indirect cost rate proposal).  \* System to value and record matching expenditures.  \* Evidence of safeguarding assets and retention of records.  V. REPORTING  If appropriate, the following approvals and notifications must be obtained from the ADECA:  \* Request to substitute local man hours and equipment usage for cash contributions or vice versa when originally approved contribution cannot be met (Task C).  \* Notify immediately the ADECA if local match cannot be met (Task C).  \* Return interest earned on CDBG grant funds (Task D).  \* Prior approval to purchase non-consumable personal property with a unit cost of $1,500 or more (Task I).  \* Approval of formal amendments to the CDBG approved grant program (Task K).  VI. COMMON PROBLEMS/DEFICIENCIES  \* Failure to designate a Fiscal Coordinator.  \* Fiscal Coordinator approving purchase documents and performing disbursing and recording functions.  \* Inadequate procedures for financial management.  \* Failure to meet local contributions as required.  \* Inadequate financial records.  \* Inadequate accounting source documentation.  \* Inadequate procedures for verification of cost allowability.  \* Unreasonable delays between drawdown and expenditure of funds.  \* Inadequate accounting and use of program income.  \* Untimely or inadequate financial reports.  \* Failure to obtain required waivers or approvals from the State.  \* Letter of Credit Drawdown requests not completed properly.  \* Failure to follow proper amendment procedures.  \* Failure to safeguard assets.  VII. SUPPORT MATERIALS  \* State CDBG Intergovernmental Policy Letter Number 2, “Policy on Program Changes, Amendments, and Cost Underruns (Revised)” (Exhibit PL-2).  \* State CDBG Intergovernmental Policy Letter Number 3, “Policy on the Use of Match in the Community Development Block Grant Program as Related to Local Man Hours and Use of Equipment” (Exhibit PL-3).  \* State CDBG Intergovernmental Policy Letter Number 5, “Policy on Grantee Property Management Procedures” (Exhibit PL-5).  \* State CDBG Intergovernmental Policy Letter Number 6, “Policy on Fidelity Bond Requirements” (Exhibit PL-6).  \* State CDBG Intergovernmental Policy Letter Number 7, “Policy on Program Income” (Exhibit PL-7).  \* State CDBG Intergovernmental Policy Letter Number 10, “Policy on State Letter of Credit Drawdowns” (Exhibit PL-10).  \* State CDBG Intergovernmental Policy Letter Number 14, “Insurance Requirements for Cash Depositories” (Exhibit PL-14).  \* Signature Certification (Exhibit I-7).  \* Internal Control Questionnaire (Exhibit III-1).  \* Source Documentation Guide (Exhibit III-2).  \* Chart of Accounts (Exhibit III-3).  \* CDBG Cash Control Worksheet (Exhibit III-4).  \* Time and Equipment Usage Report (Exhibit III-5).  \* Request for Payment, Form 001 State CDBG, (Exhibit III-8).  \* Financial Status Report (Exhibit XI-2).  \* Alabama County Finance Manual (1990).  \* Alabama Municipal Finance Manual (1990). |

ADECA also maintains CDBG Program Policy Letter No. 17, Revision 3, dated September 17, 2003, pertaining to the timely start-up of funded grant projects. That policy letter is posted on the ADECA website ([www.adeca.alabama.gov](http://www.adeca.alabama.gov)) at the link <https://adeca.alabama.gov/cdbg/cdbg-policy-letters/> and at [Policy Letter 17 – Timely start up](https://adeca.alabama.gov/wp-content/uploads/Policy-Letter-17-Timely-start-up.pdf) attached hereto, along with ADECA’s CDBG Program form for [Notice of Start of Construction](https://adeca.alabama.gov/wp-content/uploads/Notice-of-Start-of-Construction.doc). That policy letter will be applicable to the CDBG-DR Hurricanes Sally and Zeta subgrant recipients. See also Tab 3 for [Policy Letter 17 – Timely start up](https://adeca.alabama.gov/wp-content/uploads/Policy-Letter-17-Timely-start-up.pdf) and [Notice of Start of Construction](https://adeca.alabama.gov/wp-content/uploads/Notice-of-Start-of-Construction.doc). That policy letter is contained below as it appears on that website.

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| September 17, 2003  ALABAMA CDBG INTERGOVERNMENTAL  POLICY LETTER NUMBER 17  REVISION 3  TO: Persons Interested in State CDBG Program  FROM: John D. Harrison Director  POLICY ON TIMELY START UP  Meeting Conditions  Generally speaking, all conditions of a grant as detailed in the Letter of Conditional Commitment (LCC) must be met within seventy-five (75) days of the mailing date of the LCC. For each day over the specified due date, the State will have the option of terminating the grant proposal or taking other actions as determined appropriate, such as reducing the approved administrative budget by $500.00 per day.  Starting Activity  Construction contracts must be fully executed within one hundred eighty (180) days of the date of the State’s letter submitting the grant agreement. Should a community fail to meet this benchmark, the State may terminate the project. At that point, all administrative and engineering costs will become unallowable and have to be reimbursed to the State. The State reserves the right to grant an extension where reasons for not entering a construction contract, within the timeframe, were clearly valid.  With respect to comprehensive projects the one hundred eighty (180) days will apply to one (1) infrastructure activity and the first five (5) houses under rehabilitation contract in a housing rehabilitation project. With respect to in-kind projects, the one hundred eighty (180) days will apply to either materials having been purchased or documented time being spent on the project site.  If the one hundred eighty (180) day start-up deadline cannot be met, a written request should be submitted for an extension prior to the deadline date.  Submission to State  Within **10 days** of the full execution of the prime construction contract(s), a copy of the applicable **wage decision** and the **Notice of Start of Construction** form should be submitted to the State. This action provides the State with evidence of compliance with Policy Letter Number 17, provides the State with evidence of the correct wage decision “lock-in” date, indicates appropriateness of payment, and provides timely information required for HUD and Department of Labor mandated reports.  Effective Date: Immediately |

The U.S. Department of Housing and Urban Development (HUD) has also issued a handbook for subrecipients of CDBG Program grant funds, which handbook provides guidance for understanding the administrative requirements that apply to the use of federal funds for the delivery of CDBG programs and activities. This can be found at the link [Playing by the Rules: A Handbook for CDBG Subrecipients on Administrative Systems - HUD Exchange](https://www.hudexchange.info/resource/687/playing-by-the-rules-a-handbook-for-cdbg-subrecipients-on-administrative-systems/).

ADECA also maintains a CDBG Local Program Implementation Schedule form pertaining to the timely start-up, administration, construction, closeout, and auditing of funded grant projects. That form is posted on the ADECA website ([www.adeca.alabama.gov](http://www.adeca.alabama.gov)) at the links <https://adeca.alabama.gov/cdbg/letter-of-conditional-commitment/> and <https://adeca.alabama.gov/wp-content/uploads/Local-Program-Implementation-Schedule-Certification.pdf> . That Local Program Implementation Schedule form will be applicable to the CDBG-DR Hurricanes Sally and Zeta subgrant recipients. That form is contained below as it appears on that website.

**CDBG Local Program Implementation Schedule**

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| COMMUNITY DEVELOPMENT BLOCK GRANT  MANAGEMENT SYSTEM  **IMPLEMENTATION SCHEDULE**  Grantee’s Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ CDBG Project Number:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Mayor’s/Chairman’s Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Mayor’s/Chairman’s Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Grant Administrator: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Purpose for Extension Request: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  ADECA Approval: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ / \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Program Supervisor Unit Chief   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | Tasks | Task Required | Responsible Party | Start Date | Completion Date | CDBG Compliance  Area Specialist | | Attend CDBG Compliance Workshop | Yes  No |  |  |  | CDBG Program Supervisor Assigned to your project | | Complete LCC requirements within 75 days of the date of the letter | Yes  No |  |  |  | CDBG Program Supervisor Assigned to your project | | Execute construction contract within 180 days of the date of the letter forwarding the grant agreement | Yes  No |  |  |  | Kathleen Rasmussen, PhD | | Within 10 days of executing contract, issue a Notice of Start of Construction and submit to ADECA | Yes  No |  |  |  | Kathleen Rasmussen, PhD | | Complete and submit all close out documents along with final draw for administration retainage | Yes  No |  |  |  | CDBG Program Supervisor Assigned to your project | | Conduct and submit Final Audit | Yes  No |  |  |  | CDBG Program Supervisor Assigned to your project | |

**Use of Program Income**

Pursuant to the U. S. Department of Housing and Urban Development’s Federal Register Notice of Grant Funds to Address Major Disasters Occurring in 2020 and 2021 (Hurricanes Sally and Zeta in the State of Alabama) published on February 3, 2022 in Volume 87, Number 23 on pages 6364-6392, HUD has several requirements pertaining to program income for purposes of administering this grant. This information is at the links <https://www.govinfo.gov/content/pkg/FR-2022-02-03/pdf/2022-02209.pdf> and [2022-02209.pdf (govinfo.gov)](https://www.govinfo.gov/content/pkg/FR-2022-02-03/pdf/2022-02209.pdf). These requirements are stated as follows:

**Federal Register, February 3, 2022, Volume 87, No. 23**

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| **Federal Register, February 3, 2022, Volume 87, No. 23, page 6385:**  *III.E. Program Income*  *III.E.1. Program income waiver and alternative requirement*.  For state and unit of general local government grantees, HUD is waiving all applicable program income rules at 42 U.S.C. 5304(j), 24 CFR 570.489(e), 24 CFR 570.500, and 24 CFR 570.504 and providing the alternative requirement described below. Program income earned by Indian tribes that receive an allocation from HUD will be governed by the regulations at 24 CFR 1003.503 until grant closeout and not by the waivers and alternative requirements in this Consolidated Notice. Program income earned by Indian tribes that are subrecipients of state grantees or local government grantees will be subject to the program income requirements for subrecipients of those grantees.  *III.E.1.a. Definition of program income*.  ‘‘Program income’’ is defined as gross income generated from the use of CDBG–DR funds, except as provided in III.E.1.b., and received by a state, local government, Indian tribe receiving funds from a grantee, or their subrecipients. When income is generated by an activity that is only partially assisted with CDBG–DR funds, the income shall be prorated to reflect the percentage of CDBG– DR funds used (e.g., a single loan supported by CDBG–DR funds and other funds, or a single parcel of land purchased with CDBG– DR funds and other funds). If CDBG funds are used with CDBG–DR funds on an activity, any income earned on the CDBG portion would not be subject to the waiver and alternative requirement in the Consolidated Notice.  Program income includes, but is not limited to, the following:  (i) Proceeds from the disposition by sale or long-term lease of real property purchased or improved with CDBG–DR funds.  (ii) Proceeds from the disposition of equipment purchased with CDBG–DR funds.  (iii) Gross income from the use or rental of real or personal property acquired by a state, local government, or subrecipient thereof with CDBG–DR funds, less costs incidental to generation of the income.  (iv) Gross income from the use or rental of real property owned by a state, local government, or subrecipient thereof, that was constructed or improved with CDBG–DR funds, less costs incidental to generation of the income. (v) Payments of principal and interest on loans made using CDBG–DR funds.  (vi) Proceeds from the sale of loans made with CDBG–DR funds. (vii) Proceeds from the sale of obligations secured by loans made with CDBG–DR funds. (viii) Interest earned on program income pending disposition of the income, including interest earned on funds held in a revolving fund account.  (ix) Funds collected through special assessments made against nonresidential properties and properties owned and occupied by non-LMI households, where the special assessments are used to recover all or part of the CDBG–DR portion of a public improvement.  (x) 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 CDBG–DR assistance.  *III.E.1.b. Program income—does not include*:  (i) The total amount of funds that is less than $35,000 received in a single year and retained by a state, local government, or a subrecipient thereof.  (ii) Amounts generated by activities eligible under section 105(a)(15) of the HCDA and carried out by an entity under the authority of section 105(a)(15) of the HCDA.  *III.E.1.c. Retention of program income*.  State grantees may permit a local government that receives or will receive program income to retain the program income but are not required to do so.  *III.E.1.d. Program income—use, close out, and transfer*.  (i) Program income received (and retained, if applicable) before or after closeout of the grant that generated the program income, and used to continue disaster recovery activities, is treated as additional CDBG–DR funds subject to the requirements of the Consolidated Notice and must be used in accordance with the grantee’s action plan for disaster recovery. To the maximum extent feasible, program income shall be used or distributed before additional withdrawals from the U.S. Treasury are made, except as provided in III.E.1.e. below.  (ii) In addition to the alternative requirements dealing with program income required above, the following rules apply:  (1) A state or local government grantee may transfer program income to its annual CDBG program before closeout of the grant that generated the program income. In addition, state grantees may transfer program income before closeout to any annual CDBG-funded activities carried out by a local government within the state.  (2) Program income received by a grantee, or received and retained by a subrecipient, after closeout of the grant that generated the program income, may also be transferred to a grantee’s annual CDBG award.  (3) In all cases, any program income received that is not used to continue the disaster recovery activity will not be subject to the waivers and alternative requirements of the Consolidated Notice. Rather, those funds will be subject to the state or local government grantee’s regular CDBG program rules. Any other transfer of program income not specifically addressed in the Consolidated Notice may be carried out if the grantee first seeks and then receives HUD’s approval.  *III.E.1.e. Revolving funds*.  State and local government grantees may establish revolving funds to carry out specific, identified activities. State grantees may also establish a revolving fund to distribute funds to local governments or tribes to carry out specific, identified activities. A revolving fund, for this purpose, is a separate fund (with a set of accounts that are independent of other program accounts) established to carry out specific activities. These activities must generate payments used to support similar activities going forward. These payments to the revolving fund are program income and must be substantially disbursed from the revolving fund before additional grant funds are drawn from the U.S. Treasury for payments that could be funded from the revolving fund. Such program income is not required to be disbursed for nonrevolving fund activities. A revolving fund established by a CDBG–DR grantee shall not be directly funded or capitalized with CDBG–DR grant. |

ADECA has adopted Policy Letter Number 7, Revision 1, dated November 19, 1991, that pertains to the use of program income in the State’s CDBG Program. That policy letter is posted online on the ADECA website ([www.adeca.alabama.gov](http://www.adeca.alabama.gov)) at the link <https://adeca.alabama.gov/cdbg/cdbg-policy-letters/>. That policy letter is contained below as it appears on that website. That policy letter will be applicable to the CDBG-DR Hurricanes Sally and Zeta subgrant recipients. See also Tab 3 for [Policy Letter 7 – Program income](https://adeca.alabama.gov/wp-content/uploads/Policy-Letter-7-Program-income.pdf).

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| November 19, 1991  ALABAMA CDBG INTERGOVERNMENTAL  POLICY LETTER NUMBER 7  (Revision 1)  TO: Persons Interested in State CDBG Program  FROM: Don C. Hines, Ph. D., Chief  Planning and Economic Development  POLICY ON PROGRAM INCOME\*  Grantees shall return to the state any interest earned on grant funds advanced by the state except interest on rehabilitation loans or revolving funds.  All other Program Income earned during any period under which the community is assisted by state CDBG funds shall be retained by the community, unless otherwise stated in the Agreement between the community and the state, and used for approved activities in accordance with the following rules:  1. To the maximum extent feasible, Program Income shall be disbursed prior to making additional draws from the state to finance approved community development activities as follows:  a. Program Income in the form of repayments to a revolving loan fund established to carry out an activity shall be substantially disbursed from such fund before additional draws are made for the same activity.  b. All other Program Income shall be substantially disbursed for any approved activity before additional draws are made.  Included in the category of other Program Income are proceeds from the disposition of real property, payments of principle and interest on rehabilitation loans, interest earned on revolving loan funds.  Recipients shall record the receipt and expenditure of revenue related to the program (such as taxes, special assessments, levies, fines, etc.) as part of grant program transactions.  The disposition of Program Income received after the close-out of a grant shall be governed by the following rules:  Except as may be otherwise provided by the terms of the Grant Agreement or any close-out assessment, Program Income received after grant close-out should be treated by the community as “miscellaneous revenue.” However, if the community has another ongoing state funded CDBG program, the Program Income received from the closed-out program shall be treated as Program Income of the active CDBG Program. Additionally, the community must have accounted, at close-out, for any tangible personal property acquired with grant funds in accordance with the Common Rule and State Policy Letter Number 5.  \* Loan repayments involved with the Economic Development Fund projects are governed by the specific terms of the Grant Agreement rather than this Policy Letter.  \* Liquidated damage proceeds may be considered program income in some cases. They are governed by Policy Letter Number 15.  Effective Date: Immediately |

Pursuant to the ADECA CDBG Program’s compliance monitoring procedures (posted online on the ADECA website [www.adeca.alabama.gov](http://www.adeca.alabama.gov) at the link <https://adeca.alabama.gov/compliance-plans/>) and accompanying compliance monitoring checklists (also posted online on the ADECA website at the link <https://adeca.alabama.gov/cdbg/monitoring-and-compliance-checklists/>), these procedures and checklists will be utilized to monitor the CDBG-DR Grant Program for Hurricanes Sally and Zeta subgrant recipients for compliance with citizen participation.

See below and the ADECA website ([www.adeca.alabama.gov](http://www.adeca.alabama.gov)) at the link <https://adeca.alabama.gov/cdbg/monitoring-and-compliance-checklists/> for the ADECA CDBG Program’s Common Rule compliance monitoring checklist, wherein Section III. specifically pertains to monitoring for “Program Income.” Also, see the information stated at Tab 4 for the ADECA CDBG Program’s compliance monitoring procedures.

**Common Rule Monitoring Checklist**

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| |  |  | | --- | --- | | Grantee Name |  | | Project No. |  | | Preparer |  | | Date Prepared |  | | Follow-up Review Indicated |  |  Common Rule Compliance Checklist **I. Standards for Grantee Financial Management Systems**   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  |  | Yes | No | N/A | Notes | | A. | Records to identify the source and application of funds: (including the local matching share and private investment) |  |  |  |  | |  | * Is there a cash receipts journal?   If so, is it current? Record date and amount of most recent transaction. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |  |  |  |  | |  | * Is there a cash disbursement journal? If so, is it current? Record date and amount of most recent transaction. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |  |  |  |  | |  | * Is there a general ledger? If so, is it current? Record most recent date and balance.   \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |  |  |  |  | |  | * Are all CDBG related transactions recorded in the grantee’s general ledger? |  |  |  |  | |  | * Are audit trails provided that permit tracing of any transaction back to the original source document and forward to summary records? |  |  |  |  | |  | * What is the total amount of CDBG funds deposited? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |  |  |  |  | |  | * What is the total amount of local match deposited? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  |  | Yes | No | N/A | Notes | |  | * Do deposits equal expenditures?   Total CDBG: \_\_\_\_\_\_\_\_\_\_  Total Local: \_\_\_\_\_\_\_\_\_\_  Total Checks: \_\_\_\_\_\_\_\_\_\_  Balance: \_\_\_\_\_\_\_\_\_\_\_ |  |  |  |  | |  | * If there is a difference, please explain. |  |  |  |  | |  | * Were CDBG or ARC funds held for more than 14-16 days? * If so, why? |  |  |  |  | | B. | The effective control over and accountability for all funds, property and assets: |  |  |  |  | |  | * Are there dual signatures on checks? |  |  |  |  | |  | * Are signature stamps used? |  |  |  |  | |  | * If yes, does one person have access to both signatures? |  |  |  |  | |  | * Are signature stamps locked up securely? |  |  |  |  | |  | * Are checks numbered consecutively and all accounted for? |  |  |  |  | |  | * Are blank checks unsigned? |  |  |  |  | |  | * Are unused checks kept in a secure area? |  |  |  |  | |  | * Are voided checks defaced? |  |  |  |  | | C. | Proper supporting documentation of accounting records: |  |  |  |  | |  | * Is there prior approval of invoices before payment, as evidenced by initial of grantee staff on invoice? |  |  |  |  | |  | * Are invoices coded with the grant name and number or the general ledger account code? |  |  |  |  | |  | * Do invoices include a description of the service being performed or the goods purchased, identification of the vendor, the unit price where appropriate, and the total cost to be charged to the CDBG program? |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  |  | Yes | No | N/A | Notes | |  | * For professional services contracts, do invoices make detailed references to contract’s scope of services and do invoices specify what percentage of each project task has been accomplished? |  |  |  |  | |  | * Are there any unresolved audit or monitoring findings? If so, why? |  |  |  |  | |  | * Are bank statements reconciled monthly by grantee staff? * If not, why? |  |  |  |  | |  | * On projects involving private funds, is there evidence of private expenditure? |  |  |  |  |   **II. Matching Share**   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | A. | Is matching share required? |  |  |  |  | |  | * Does match requirement include cash? |  |  |  |  | |  | * Does match requirement include in-kind? |  |  |  |  | |  | * Were both cash and in-kind match posted to the general ledger on a monthly basis? |  |  |  |  | | B. | Are in-kind contributions valued in the following way: |  |  |  |  | |  | * Is the value of donated property being properly charged to the grant? |  |  |  |  | |  | * Was the value properly determined?   (For space, the value may not exceed fair market value of comparable space in the same locality. For non-expendable personal property, the value may not exceed the fair market for equipment of the same age and condition. For loaned equipment, the value may not exceed the fair rental value.) |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  |  | Yes | No | N/A | Notes | |  | * Is there evidence that grantee obtained approval of rates from ADECA prior to usage? |  |  |  |  | |  | * Are personnel charges supported by time and attendance records that accurately reflect all hours worked by the employee and are attendance records signed by the employee and the supervisor? |  |  |  |  | | C. | Are volunteer services recorded to show: |  |  |  |  | |  | * The same information kept for volunteer services as is kept for grantee employees? |  |  |  |  | |  | * The basis for valuation of personal services, material, equipment, buildings, and land? |  |  |  |  |   **III. Program Income**   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | A. | Does grantee have any program income? If so, is it properly documented and recorded? |  |  |  |  | | B. | If program income is designated for a grant project, are the receipt and expenditure of receipts part of grant project transactions? |  |  |  |  | | C. | Is program income recorded in accounting records? |  |  |  |  | | D. | Does program income exceed $25,000 in any one fiscal year? If so, have funds been remitted to the state? |  |  |  |  | | E. | What is the total amount of interest earned on CDBG funds? \_\_\_\_\_\_\_\_\_  If this amount was over $100, has it been returned to the state? |  |  |  |  |   **IV. Amendments**   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | A. | If applicable, were local amendments done in accordance with state criteria? |  |  |  |  | | B. | If applicable, were formal amendments approved by the state as required? |  |  |  |  |   **V. Property Management**   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | A. | If CDBG funds were used to acquire non-expendable personal property, is a copy of the completed PMU1 form on file in the community and has an executed copy been submitted to ADECA? |  |  |  |  | | B. | Is grantee aware that any property acquired with CDBG funds may not be sold or otherwise disposed of without prior written approval from ADECA? |  |  |  |  |   **VI. Procurement Standards**   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | A. | Does grantee have written and adopted procurement policies which include the state bid law, the public works law, and purchases not subject to the state bid law, (i.e., professional services procurement and small purchase procedures)? |  |  |  |  | | B. | Do procurement policies specify who has the authority to initiate purchase requests and enter into contracts? |  |  |  |  |   **VII. Records Retention**   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | A. | Is the grantee aware that all CDBG records must be retained for five years past notification by the State that the grant has been closed or all audit findings have been resolved, whichever is longer? |  |  |  |  |   **VIII. Special Assessments**   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | A. | Are CDBG funds used to pay the special assessment on behalf of all low and moderate income property owners? |  |  |  |  | | B. | Does the grantee collect funds through special assessments made against low and moderate income owner occupants where the special assessments are used to recover all or part of the non-CDBG, non-match portion of the public improvement? (These assessments do not constitute program income.) |  |  |  |  | | C. | Are assessments of high income households not used in construction costs recorded as program income (water and sewer authority records)? If so, have they exceeded $25,000? |  |  |  |  | | D. | Does the grantee collect funds through special assessments made against low and moderate income owner occupants where the special assessments are used to recover all or part of the CDBG, portion of the public improvement? (These assessments do not constitute program income.) |  |  |  |  | | E. | What is the total amount of program income collected through special assessments in a single year? \_\_\_\_\_\_\_\_\_ |  |  |  |  | | F. | If this amount was $25,000 or more and received in a single year, has it been returned to the state? |  |  |  |  | |
| |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | | **Common Rule / Financials – DRAWS** | | | | | | | | | | **Administration Contract** | | | | | | $0.00 | | | | **Invoice Number** | **Date** | **Amount** | **Draw Number** | **Date** | **Amount** | **Check Number** | **Date** | **Amount** | |  |  |  | *1* |  |  |  |  |  | |  |  |  | *2* |  |  |  |  |  | |  |  |  | *3* |  |  |  |  |  | |  |  |  | *4* |  |  |  |  |  | |  |  |  | *5* |  |  |  |  |  | |  |  |  | *6* |  |  |  |  |  | |  |  |  | *7* |  |  |  |  |  | |  |  |  | *8* |  |  |  |  |  | |  |  |  | *9* |  |  |  |  |  | |  | Total | *$ -* |  | Total | *$ -* | Total | *$ -* |  | |  |  |  |  |  |  |  |  |  | | **Engineering Contract** | | | | | | $0.00 | | | | **Invoice Number** | **Date** | **Amount** | **Draw Number** | **Date** | **Amount** | **Check Number** | **Date** | **Amount** | |  |  |  | *1* |  |  |  |  |  | |  |  |  | *2* |  |  |  |  |  | |  |  |  | *3* |  |  |  |  |  | |  |  |  | *4* |  |  |  |  |  | |  |  |  | *5* |  |  |  |  |  | |  |  |  | *6* |  |  |  |  |  | |  |  |  | *7* |  |  |  |  |  | |  |  |  | *8* |  |  |  |  |  | |  |  |  | *9* |  |  |  |  |  | |  | Total | $ - |  | Total | $ - | Total | *$ -* |  | |  |  |  |  |  |  |  |  |  | | **Construction Contract** | | | | | | $0.00 | | | | **Invoice Number** | **Date** | **Amount** | **Draw Number** | **Date** | **Amount** | **Check Number** | **Date** | **Amount** | |  |  |  | *1* |  |  |  |  |  | |  |  |  | *2* |  |  |  |  |  | |  |  |  | *3* |  |  |  |  |  | |  |  |  | *4* |  |  |  |  |  | |  |  |  | *5* |  |  |  |  |  | |  |  |  | *6* |  |  |  |  |  | |  |  |  | *7* |  |  |  |  |  | |  |  |  | *8* |  |  |  |  |  | |  |  |  | *9* |  |  |  |  |  | |  | Total | $ - |  | Total | $ - |  | Total | *$ -* | |  |  |  |  |  |  |  |  |  | | **Other Contractual Cost** | | | | | | $0.00 | | | | **Invoice Number** | **Date** | **Amount** | **Draw Number** | **Date** | **Amount** | **Check Number** | **Date** | **Amount** | |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  | |  | Total | $ - |  | Total | $ - |  | Total | *$ -* | |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  | | **Invoice Totals** | | $ - | **Draw Totals** | | $ - | **Check Totals** | | $ - | |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  | | **Common Rule / Financials - DEPOSITS** | | | | | | | | | |  |  |  |  |  |  |  |  |  | | Match Amount | |  | |  | Grant Amount: | |  | | |  |  |  |  |  |  |  |  |  | |  | **Date** | **Local Deposits** | | **CDBG Deposits** | |  |  |  | |  |  |  | |  | |  |  |  | |  |  |  | |  | |  |  |  | |  |  |  | |  | |  |  |  | |  |  |  | |  | |  |  |  | |  |  |  | |  | |  |  |  | |  |  |  | |  | |  |  |  | |  |  |  | |  | |  |  |  | |  |  |  | |  | |  |  |  | |  |  |  | |  | |  |  |  | |  |  |  | |  | |  |  |  | |  |  |  | |  | |  |  |  | |  |  |  | |  | |  |  |  | |  |  |  | |  | |  |  |  | |  |  |  | |  | |  |  |  | |  |  |  | |  | |  |  |  | |  |  |  | |  | |  |  |  | |  |  |  | |  | |  |  |  | |  |  |  | |  | |  |  |  | |  |  |  | |  | |  |  |  | |  |  |  | |  | |  |  |  | |  |  |  | |  | |  |  |  | |  |  |  | |  | |  |  |  | |  |  |  | |  | |  |  |  | |  | **Total** | $ - | | $ - | |  | $ - | | |  |  |  |  |  |  |  |  |  | |  | \*\*\* | Are checks numbered consecutively? | | | |  |  |  | |  | \*\*\* | Were invoices received before checks were written? | | | |  |  |  | |  | \*\*\* | Add totals from "Administration, Engineering, Construction, and Other". | | | | | |  | |  | \*\*\* | Add deposits |  |  |  |  |  |  | |  | \*\*\* | Subtract "Administration, Engineering, Construction, and Other" totals from deposit. | | | | | | | |  | \*\*\* | Compare results to ledger | | |  |  |  |  | |  |  |  |  |  |  |  |  |  | |  |  | $ - | | **Total from Admin, Eng., Const, and Other.** | | |  |  | |  |  | $ - | | **Minus Total from Deposits** | |  |  |  | |  |  | **$ -** | | **(compare to ledger)** | |  |  |  | |  |  |  |  |  |  |  |  |  | | **Percentage of Funds Drawn** | | | | | | | | | |  |  | *Budgeted* | | *Expended* | | *% Consumed* | |  | | **Administrative** | | $0.00 | | $0.00 | | #DIV/0! | |  | | **Engineer** | | $0.00 | | $0.00 | | #DIV/0! | |  | | **Construction** | | $0.00 | | $0.00 | | #DIV/0! | |  | | **Other** | | $0.00 | | $0.00 | | #DIV/0! | |  | |  |  | **$0.00** | | **$0.00** | | **#DIV/0!** | |  | |  |  |  |  |  |  |  |  |  | |

\_\_\_\_\_\_\_\_\_ End of Financial Management and Program Income Policies and Procedures\_\_\_\_\_\_\_\_