**ADECA CED Division**

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

**Timely Expenditures Policy**

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 requirements pertaining to the timely expenditure of grant funds 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 6377:**  *III. Grant Administration*  *III.A. Pre-Award Evaluation of Management and Oversight of Funds*  *III.A.1. Certification of financial controls and procurement processes, and adequate procedures for proper grant management.*  *\* \* \**  *III.A.1.a. Documentation requirements.*  *\* \* \**  (4) Timely expenditures.  A grantee has adequate policies and procedures to determine timely expenditures if it submits policies and procedures that indicate the following to HUD: How it will track and document expenditures of the grantee and its subrecipients (both actual and projected reported in performance reports); how it will account for and manage program income; how it will reprogram funds in a timely manner for activities that are stalled; and how it will project expenditures of all CDBG-DR funds within the period provided for in section V.A.  **Federal Register, February 3, 2022, Volume 87, No. 23, at page 6391:**  *V.A. Timely Distribution and Expenditure of Funds*  HUD waives the provisions at 24 CFR 570.494 and 24 CFR 570.902 regarding timely distribution and expenditure of funds, and establishes an alternative requirement providing that each grantee must expend 100 percent of its allocation within six years of the date HUD signs the grant agreement. HUD may extend the period of performance administratively, if good cause for such an extension exists at that time, as requested by the grantee, and approved by HUD. When the period of performance has ended, HUD will close out the grant and any remaining funds not expended by the grantee on appropriate programmatic purposes will be recaptured by HUD. |

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 ADECA’s policies and procedures for the Department’s accounting and financial management of grant funds. These policies and procedures ensure ADECA's timely expenditure of funds because of the following:

1. At Section 8.1.2 Federal Grant Budgets, and at Section 8.4.1 Processing of Invoices and Other Requests for Payments, they indicate how ADECA will track and document expenditures of ADECA and its subrecipients (both actual and projected reported in the performance report). These are stated as follows:

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| **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.  **\* \* \***  **8.4 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. |

2. At Section 8.3.5 Other Receipts and Program Income, and at Section 8.4.3 Requirements for Source Documentation From Subrecipients, they indicate how ADECA will account for and manage program income. These are stated as follows:

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| **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.  **\* \* \***  **8.4.3 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. |

Also, at 2 CFR Part 200, Section 200.307 pertains to Program Income. ADECA will account for and manage program income in compliance with this rule. This rule is stated as follows:

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| **§ 200.307**[**Program income**](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=36d371266c4df18792db78fca441a89c&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307)**.**  **(a)** ***General.*** Non-Federal entities are encouraged to earn income to defray program costs where appropriate.  **(b)** ***Cost of generating program income.*** If authorized by Federal regulations or the [Federal award](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=081a194046528468942c369470c2966a&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307), costs incidental to the generation of [program income](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=36d371266c4df18792db78fca441a89c&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) may be deducted from gross income to determine [program income](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=36d371266c4df18792db78fca441a89c&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307), provided these costs have not been charged to the [Federal award](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=081a194046528468942c369470c2966a&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307).  **(c)** ***Governmental revenues.*** Taxes, special assessments, levies, fines, and other such revenues raised by a [non-Federal entity](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=de00dfd10f09071c905d0928428a197d&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) are not [program income](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=36d371266c4df18792db78fca441a89c&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) unless the revenues are specifically identified in the [Federal award](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=081a194046528468942c369470c2966a&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) or [Federal awarding agency](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=3164f893d6d82447c92d899285ce22b2&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) regulations as [program income](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=36d371266c4df18792db78fca441a89c&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307).  **(d)** ***Property.*** Proceeds from the sale of [real property](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=e9a6b10874803e22a56417021f7b4c65&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307), equipment, or supplies are not [program income](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=36d371266c4df18792db78fca441a89c&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307); such proceeds will be handled in accordance with the requirements of the Property Standards [§§ 200.311](https://www.law.cornell.edu/cfr/text/2/200.311), 200.313, and 200.314, or as specifically identified in Federal statutes, regulations, or the terms and conditions of the [Federal award](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=081a194046528468942c369470c2966a&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307).  **(e)** ***Use of program income.*** If the [Federal awarding agency](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=3164f893d6d82447c92d899285ce22b2&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) does not specify in its regulations or the terms and conditions of the [Federal award](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=081a194046528468942c369470c2966a&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307), or give prior approval for how [program income](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=36d371266c4df18792db78fca441a89c&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) is to be used, [paragraph (e)(1)](https://www.law.cornell.edu/cfr/text/2/200.307#e_1) of this section must apply. For [Federal awards](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=081a194046528468942c369470c2966a&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) made to IHEs and nonprofit research institutions, if the [Federal awarding agency](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=3164f893d6d82447c92d899285ce22b2&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) does not specify in its regulations or the terms and conditions of the [Federal award](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=081a194046528468942c369470c2966a&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) how [program income](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=36d371266c4df18792db78fca441a89c&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) is to be used, [paragraph (e)(2)](https://www.law.cornell.edu/cfr/text/2/200.307#e_2) of this section must apply. In specifying alternatives to paragraphs (e)(1) and (2) of this section, the [Federal awarding agency](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=3164f893d6d82447c92d899285ce22b2&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) may distinguish between income earned by the [recipient](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=43f1e6e5f743631c4c46a5423693f35c&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) and income earned by [subrecipients](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=63d6349963f7364efb8397442e14e141&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) and between the sources, kinds, or amounts of income. When the [Federal awarding agency](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=3164f893d6d82447c92d899285ce22b2&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) authorizes the approaches in paragraphs (e)(2) and (3) of this section, [program income](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=36d371266c4df18792db78fca441a89c&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) in excess of any amounts specified must also be deducted from [expenditures](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=d2310d03983daac2fe8bc676e1201986&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307).  **(1)** ***Deduction.*** Ordinarily [program income](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=36d371266c4df18792db78fca441a89c&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) must be deducted from total allowable costs to determine the net allowable costs. [Program income](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=36d371266c4df18792db78fca441a89c&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) must be used for current costs unless the [Federal awarding agency](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=3164f893d6d82447c92d899285ce22b2&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) authorizes otherwise. [Program income](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=36d371266c4df18792db78fca441a89c&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) that the [non-Federal entity](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=de00dfd10f09071c905d0928428a197d&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) did not anticipate at the time of the [Federal award](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=081a194046528468942c369470c2966a&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) must be used to reduce the [Federal award](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=081a194046528468942c369470c2966a&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) and [non-Federal entity](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=de00dfd10f09071c905d0928428a197d&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) contributions rather than to increase the funds committed to the project.  **(2)** ***Addition.*** With prior approval of the [Federal awarding agency](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=3164f893d6d82447c92d899285ce22b2&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) (except for IHEs and nonprofit research institutions, as described in this paragraph (e)) [program income](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=36d371266c4df18792db78fca441a89c&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) may be added to the [Federal award](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=081a194046528468942c369470c2966a&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) by the [Federal agency](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=b1a1024ea0be962c2d27c796b12e5abc&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) and the [non-Federal entity](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=de00dfd10f09071c905d0928428a197d&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307). The [program income](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=36d371266c4df18792db78fca441a89c&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) must be used for the purposes and under the conditions of the [Federal award](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=081a194046528468942c369470c2966a&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307).  **(3)** ***Cost sharing or matching.*** With prior approval of the [Federal awarding agency](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=3164f893d6d82447c92d899285ce22b2&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307), [program income](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=36d371266c4df18792db78fca441a89c&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) may be used to meet the [cost sharing or matching](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=3c8614fb099609b7b9859701c6f6808a&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) requirement of the [Federal award](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=081a194046528468942c369470c2966a&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307). The amount of the [Federal award](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=081a194046528468942c369470c2966a&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) remains the same.  **(f)** ***Income after the period of performance.*** There are no Federal requirements governing the disposition of income earned after the end of the [period of performance](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=b9eea7ef3254392f126610da821da9fc&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) for the [Federal award](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=081a194046528468942c369470c2966a&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307), unless the [Federal awarding agency](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=3164f893d6d82447c92d899285ce22b2&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) regulations or the terms and conditions of the [Federal award](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=081a194046528468942c369470c2966a&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) provide otherwise. The [Federal awarding agency](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=3164f893d6d82447c92d899285ce22b2&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) may negotiate agreements with [recipients](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=43f1e6e5f743631c4c46a5423693f35c&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) regarding appropriate uses of income earned after the [period of performance](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=b9eea7ef3254392f126610da821da9fc&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) as part of the grant [closeout](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=7981356482672a1d1b417702a0d77e07&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) process. See also [§ 200.344](https://www.law.cornell.edu/cfr/text/2/200.344).  **(g)** ***License fees and royalties.*** Unless the Federal statute, regulations, or terms and conditions for the [Federal award](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=081a194046528468942c369470c2966a&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) provide otherwise, the [non-Federal entity](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=de00dfd10f09071c905d0928428a197d&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) is not accountable to the [Federal awarding agency](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=3164f893d6d82447c92d899285ce22b2&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) with respect to [program income](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=36d371266c4df18792db78fca441a89c&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) earned from license fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions made under a [Federal award](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=081a194046528468942c369470c2966a&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.307) to which [37 CFR part 401](https://www.law.cornell.edu/cfr/text/37/part-401) is applicable. |

Also, at 2 CFR Part 200, Section 200.305(b)(5) pertains to Program Income, and ADECA will account for and manage program income in compliance with this rule. This rule is stated as follows:

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| **§ 200.305 Federal payment.**  **\* \* \***  **(b)** For non-Federal entities other than [states](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=3d66cac5fd675bfc76ede4888b240176&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.305), payments methods must minimize the time elapsing between the transfer of funds from the United [States](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=3d66cac5fd675bfc76ede4888b240176&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.305) Treasury or the [pass-through entity](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=d3c30c7fcabf85260bb176c07e6d95a5&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.305) and the disbursement by the [non-Federal entity](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=de00dfd10f09071c905d0928428a197d&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.305) whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means. See also [§ 200.302(b)(6)](https://www.law.cornell.edu/cfr/text/2/200.302#b_6). Except as noted elsewhere in this part, Federal agencies must require [recipients](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=43f1e6e5f743631c4c46a5423693f35c&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.305) to use only [OMB](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=d630eb0ae33b3c0c69db37a2157c412a&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.305)-approved, government-wide information collection requests to request payment.  **\* \* \***  **(5)** To the extent available, the [non-Federal entity](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=de00dfd10f09071c905d0928428a197d&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.305) must disburse funds available from [program income](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=36d371266c4df18792db78fca441a89c&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.305) (including repayments to a revolving fund), rebates, refunds, [contract](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=646059bc8aa88050a7cb06464725dfbb&term_occur=999&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:D:200.305) settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments. |

3. In the *ADECA Policies and Procedures Manual*, at Section 8.3.1 Allotment, this indicates how ADECA will reprogram funds in a timely manner for activities that are stalled. This is stated as follows:

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| **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. |

Also, ADECA's CDBG Program Policy Letter Number 2, Revision 6, dated September 24, 1997, pertaining to Program Changes, Amendments and Cost Underruns, indicates how ADECA will reprogram funds in a timely manner for activities that are stalled. This is stated as follows:

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| September 24, 1997  ALABAMA CDBG INTERGOVERNMENTAL  POLICY LETTER NUMBER 2  (Revision 6)  TO: Persons Interested in State CDBG Program  FROM: Jean D. Davis  Chief, Planning and Economic Development Division  POLICY ON PROGRAM CHANGES, AMENDMENTS AND COST UNDERRUNS  Amendments to CDBG Programs are changes to the approved program or any activities, necessitated by circumstances beyond the control of the municipality/county, which alter any of the following:  1. Dollar amounts spent on any activity;  2. Beneficiaries of any activity;  3. Geographic location(s) of any activity;  4. The design nature of an activity; for example, increasing the size of water lines, increasing the size of drainage pipes; or  5. The policies and procedures of a Housing Rehabilitation Program.  Given the possible range and types of amendments listed above, the state has determined that there will be two general types of amendments to programs which will be allowed. The types of amendments are formal amendments requiring state approval and local amendments which require that documentation be supplied to the State but which do not require formal state approval. All changes, revisions, or amendments to a program require prior written approval by either the state or the local governing body.  This policy letter provides guidance to localities on the types of changes which require state approval and the types which do not.  Formal State Approved Amendments  A Formal Amendment is necessitated by:  1. A proposed change in costs associated with a program of more than 10 percent of the total CDBG Program costs. This includes any change made that would cause the cumulative amount of changes to equal more than 10 percent, and this also includes those instances where the balance of funds resulting from a cost underrun is more than 10 percent of the CDBG grant amount;  2. An increase in the cost for the line item, “Administration”, “Engineering” and/or “Architectural” services which exceeds 10 percent of the costs budgeted for that line item whether within the CDBG amount of the line item or the total line item. (This includes any proposed change made that would cause the cumulative amount of the line item, “Administration”, “Engineering” and/or “Architectural” services to be increased by more than 10 percent.);  3. A proposed change in direct beneficiaries of the program so as to lower the total number of direct beneficiaries of the program by more than 10 percent;  4. A proposed change in direct beneficiaries of the program so as to lower the number of low and moderate income or minority beneficiaries by more than 10 percent;  5. A proposed change in the scope of activities so as:  a. To add any activity not originally proposed in the application,  b. To delete any activity originally proposed in the application,  c. To alter the location so that the originally proposed beneficiaries are reduced by more than 10 percent, or  d. To expand or reduce the area in which comprehensive program activities are occurring; or  6. A proposed change in housing rehabilitation program policies and procedures which alter the number of beneficiaries or the housing standard to be used.  7. An underrun on an activity or activities resulting in over 10 percent of grant funds being unobligated.  When a formal amendment is needed, the municipality and/or county shall:  1. Provide citizens with reasonable notice of and opportunity to comment on the change proposed to be made. This shall be accomplished by holding one or more public hearings to obtain the views of citizens concerning the proposed formal amendment.  a. Such hearing shall be advertised far enough in advance of the public hearing and in enough detail to allow interested citizens to have a reasonable change to attend the hearing and make their viewpoints known.  b. Information presented at the hearing shall describe: 1) the current program and the proposed change which may necessitate a formal amendment; 2) the amount of funds currently benefiting low and moderate income persons and the amount proposed to benefit low and moderate income persons; and 3) plans of the community for dealing with any displacement of persons that may occur due to the proposed change.  2. Provide the state with:  a. Evidence that the circumstances necessitating the proposed change(s) are clearly beyond the control of the local government;  b. A resolution from the municipality/county commission or council authorizing the change(s);  c. An explanation of the proposed change which includes:  1. A description of the proposed change;  2. A revised budget;  3. A description of the beneficiaries to be gained or lost;  4. A description of the percent of beneficiaries to be gained or lost which are low and moderate income or minority;  5. Appropriate map(s).  d. Other sufficient information on appropriate Alabama CDBG application forms to enable the state to re-rate the application taking the proposed change(s) into consideration. (The rating of the program with proposed change(s) must be equal to or greater than the lowest rating received by a funded program during that cycle of application ratings.)  Further, a municipality/county which proposes to noticeably reduce the number of percent of beneficiaries who are low or moderate incomes or minority persons must clearly substantiate the reasons for such reductions. In no case may the percent of low and moderate income beneficiaries be reduced to less than 51 percent.  When a municipality/county has determined that a program change is necessitated by circumstances beyond its control, and the change requires a formal amendment (according to criteria outlined in this policy letter), the chief elected official shall send to the ADECA a formal request for a program amendment and provide sufficient information, as described above, to permit the state to make a decision on the appropriateness of the change.  The municipality/county shall take no further action, i.e., obligate or use funds for any activity related to the proposed change, until the state gives preliminary approval. At this time the grantee will/will not be authorized to incur costs such as environmental review preparation/ads, preliminary engineering, etc., related to a significant change in scope, location, or scale. No other obligation or expenditure of funds may be made until final approval by the state. Further, the State will not guarantee that a formal amendment that is submitted less than sixty days prior to a scheduled closeout, can be processed and approved in order to meet the closeout date.  Local Amendments  Local amendments may be used to make changes in the program of a more minor nature than those which require a formal amendment. Such changes must be necessitated by circumstances beyond the municipality/county’s control and will generally consist of the following types of changes:  1. Expansion or addition to an activity in cases where there is a cost underrun 10 percent or less of the grant award. The money made available due to the cost underrun (the remainder of the amount budgeted for the activity) may be spent on a continuation of the same activity. The continuation of that activity must be in the original project area or adjacent to the original project area. The relationship of the current activity to the continuation should be in a neighborhood of the same economic character, i.e., one of at least 51 percent low and moderate income persons.  2. Change in the cost of a program of less than 10 percent of the total CDBG Program cost or changes in the Administration line item or less than 10% of that line item, provided that:  a. The scope of the program is not noticeably reduced. (In the case of a Comprehensive Program the project area boundaries may not be reduced or expanded by local amendment.);  b. The scope of any activity is not noticeably reduced;  c. The beneficiaries of any activity are not reduced by more than 10 percent.  In changes of this type when an activity is increased in size, the increase must consist of an expansion or addition to an approved activity and the relation of the extension to the approved activity must be readily apparent and must serve a neighborhood of essentially the same economic character, i.e., one of at least 51 percent low and moderate income persons.  3. Changes in the design nature of an activity such as expanding the size of water lines or drainage pipe provided that Program costs are changed by no more than 10 percent of the total CDBG Program cost, and provided that the location and beneficiaries of the activity are in no way changed so as to require a formal amendment.  4. Changes in housing rehabilitation program policies or procedures which do not require a formal amendment.  In cases where the municipality/county desires to make changes by means of a local amendment the following information must be supplied to the state as evidence of that local amendment:  1. A letter from the chief elected official noting that such change is proposed to be made and is necessitated by circumstances beyond the jurisdiction’s control or why it is to their advantage.  State approval of local amendments is not required. However, the municipality/county must have determined that a formal amendment was not required and then provide the information listed above to the appropriate CDBG Program Supervisor. Furthermore, the grantee should take particular care not to obligate or incur additional costs without prior written approval of the locality’s chief elected official.  In the case of cost overruns, such shortfalls are to be paid out of local funds or contingency funds and are not viewed as justifiable grounds for program amendments requesting additional funds. However, a cost overrun on an approved activity or activities may be paid by funds made available due to a cost underrun or underruns on other approved activities provided that no approved activity has its direct beneficiaries reduced by more than 10 percent and provided that budgeted costs are not changed by more than 10 percent of the CDBG Program cost.  Effective Date: Immediately |

4. In the *ADECA Policies and Procedures Manual*, at Section 8.3.3 Treasury Drawdown Regulations and Procedures, this indicates how ADECA will project expenditures of all CDBG-DR funds within the grant period [provided in Section V.A. of HUD's February 3, 2022 Federal Register Notice and applicable Allocation Announcement Notice, at Section III.A.1.a.(4)]. This is stated as follows:

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| **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. |

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 CDBG-DR Hurricanes Sally and Zeta subgrant recipients. 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/>, and it contains the identified topics stated below. Chapter 3 of that Manual pertains to “Financial Management.”

# 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)

ADECA also maintains CDBG Program Policy Letter No. 17 pertaining to the timely start-up of funded grant projects. That Policy Letter No. 17 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) below. That Policy Letter No. 17 will be applicable to the CDBG-DR Hurricanes Sally and Zeta subgrant recipients. This is stated as follows:

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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 that 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/).

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