

# CDBG-CV PROGRAM

## FINANCIAL MANAGEMENT QUICK GUIDE

### BACKGROUND

Sound financial grants management helps grantees, subrecipients, the public, and HUD to ensure Federal funds are being used for their intended purposes.

The challenges of the CORONAVIRUS pandemic only increase the importance that Grantees and Subrecipients be knowledgeable about -- and adhere to -- all regulations and requirements of Federal programs administered by HUD.

The CDBG-CV program was developed to provide enhanced support and flexibility during the difficulties of the CORONAVIRUS pandemic and the extraordinary needs it is creating.

This document provides a brief overview to help Grantees set up their financial management system (FMS) to comply with the requirements of the new CDBG-CV supplemental assistance award program and CDBG CV Notice.

### OVERVIEW OF CDBG STANDARDS TO SUPPORT COSTS

The Community Development Block Grant (CDBG) Program provides annual formula-based grants to States, cities, counties, and insular areas in order to develop viable urban communities by:

- Providing decent housing,
- A suitable living environment, and
- Expanding economic opportunities principally for low- and moderate-income persons.

CDBG funds can be used for a variety of community development activities that must meet the following standards for determining and documenting eligible costs.

## ELIGIBLE COSTS

CDBG-assisted activities must meet standards for determining eligible costs per 24 CFR Part 570.200(a). With the exception of planning and administration activities, CDBG-assisted activities **must meet at least one of these three national objectives:**

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

Additionally, a CDBG activity must:

- be included in an approved Action Plan (this requirement has been modified with the CDBG-CV Notice)
- comply with other applicable Federal requirements.

Finally, CDBG activities must principally benefit low and moderate-income persons so that, overall, a minimum of 70% of funds are expended for activities that provide low- and moderate-income benefit.

### **The CDBG-CV Notice and Additional Eligibility Requirements.**

In addition to the regular CDBG requirements, the CDBG-CV Notice requires that CDBG-CV funds, along with 2019 and 2020 regular formula funds using CARES Act flexibilities for Coronavirus response:

- only assist activities that prevent, prepare for, or respond to Coronavirus,
- do not result in a duplication of benefits, and
- meet underwriting criteria for special economic development activities.

Note: An activity that is not eligible and/or does not meet a national objective is not compliant with CDBG requirements and may be subject to remedial actions. To refer to the "[Basically CDBG for Entitlements](#)" guide for eligible activities, click the link. Also, at the following link, "[Basically CDBG for States](#)" can be found.

## THE CARES ACT

The CARES Act requires that all CDBG-CV funds for CDBG-eligible activities are carried out to prevent, prepare for, and respond to coronavirus. In addition, OMB provided several flexibilities that Federal agencies may adopt for CDBG-CV. The [Federal Register Notice 6218-N-01](#) describes how requirements of the CDBG Program are modified for CDBG-CV grants, Fiscal Year 2020 CDBG grants under the Department of Housing and Urban Development Appropriations Act, 2020

(Public Law 116-94), and Fiscal Year 2019 CDBG grants under the Department of Housing and Urban Development Appropriations Act, 2019 (Public Law 116-6).

The list below identifies and provides descriptions of CARES Act program flexibilities and requirements as defined in the CDBG-CV Notice. The rules, waivers, and alternative requirements described only apply to CDBG-CV grants and in some cases to FY2020 and FY2019 CDBG grants (as specified in section IV) and program income (as specified in sections III.B.5.(f)(iv) and III.B.6.(a) of the FR Notice).

Note: The CARES Act statutory flexibilities, waivers, and alternative requirements do not apply to other source years of CDBG funds (even if used in conjunction with CDBG-CV funds, Fiscal Year 2019 CDBG funds, or Fiscal Year 2020 CDBG funds) except as otherwise described in section IV.B.3.(b) of the FR Notice.

#### PERIOD OF PERFORMANCE

Section III.B.7(a) of the Notice requires that grantees must:

- Expend all CDBG-CV funds within a 6-year period established by the execution of the CDBG-CV grant agreement.
- Expend at least 80 percent of all CDBG-CV funds no later than the end of the third year of the period of performance. Unexpended funds may be subject to recapture after the three-year performance period.

#### COSTS ELIGIBLE FOR REIMBURSEMENT

- Costs incurred before January 21, 2020, *will not be reimbursed* without written prior approval from HUD
- The CDBG-CV Notice permits reimbursement of pre-application, pre-award, and pre-agreement costs of grantees, subrecipients and units of general local government that are participating in a State CDBG program.
- Environmental review must be performed, and a Release of Funds must be obtained in accordance with 24 CFR Part 58 prior to **committing** CDBG-CV funds to reimburse costs.
- Grantees must sign a CDBG-CV agreement with a subrecipient or unit of general local government before **reimbursing** pre-agreement costs.
- Entitlement Grantees also must include activities that incurred pre-award or pre-agreement costs in a CDBG-CV application before CDBG-CV funds are used to **reimburse** those costs.

### USE OF CDBG-CV PROGRAM INCOME

The receipt and expenditure of program income that is generated using CDBG-CV funds shall be treated as annual CDBG formula program income.

- CDBG-CV program income will be recorded as annual CDBG formula grant program income in local accounting records.
- Any CDBG-CV program income generated will be receipted in HUD's Integrated Disbursement and Information System (IDIS) as program income to the annual CDBG formula grant program and will be subject to the CDBG timeliness standards.

### FLOAT FUNDED ACTIVITIES

CDBG-CV funds cannot be used for float-funded activities.

### PUBLIC SERVICES CAP

The CARES Act eliminates the 15% public services cap for all funds expended on activities to **prevent, prepare for, and respond to** coronavirus under Section III.B.5(f)(iii) of the FR Notice.

- Applies to all CDBG-CV funds and regular 2019 and 2020 grants, as long as the public service prevents, prepares for, or responds to coronavirus.
- Grantees can flag public service activities for coronavirus response in the IDIS System. This allows grantees to accurately report public services using regular formula funds that are subject to the public service cap separately from public service activities that are not subject to the cap.

### SPECIAL ECONOMIC DEVELOPMENT UNDERWRITING REQUIREMENTS

Underwriting is required when using CDBG funds to assist businesses as special economic development activities. Information on special economic development activities can be found in: [Chapter 8: Economic Development & Section 108](#).

**Underwriting is required when using CDBG funds to provide direct financial assistance to businesses.**

- Given the likelihood that CDBG-CV funds will be used to assist businesses needing working capital financing for everyday operations, such as payroll costs, HUD is providing guidance and technical assistance on the application of the guidelines and objectives set forth in Appendix A to 24 CFR 570 (Guidelines and Objectives for Evaluating Project Costs and Financial Requirements).

- Grantees should consider the differences in the approach to underwriting assistance for the wide range of economic development projects permitted under Section 105(a)(17), and as implemented at 24 CFR 570.203(b) in planning economic development for coronavirus response. Underwriting criteria may vary based upon, for example, the size and type of businesses requesting assistance and their needs.

#### **DUPLICATION OF BENEFITS**

A duplication of benefits is caused when a person, household, business or other entity receives financial assistance from multiple sources for the same purpose and the total assistance is more than the total need (Section III.B.2 of the FR Notice). Grantees are required to develop and maintain adequate procedures to prevent a duplication of benefits that address (individually or collectively) each activity or program. Additional guidance on duplication of benefits can be found [at CDBG Coronavirus response related to preventing duplication of benefits.](#)

#### **EXTENSION OF EMERGENCY PAYMENTS**

CDBG-CV funds may be used to provide emergency payments for individuals or families impacted by coronavirus for items such as food, clothing, housing (emergency rental or mortgage assistance) or utilities. The FR Notice extends the maximum period of such payments from three to six consecutive months when used to prevent, prepare for, or respond to coronavirus.

- Emergency payments must be made to the provider of such items or services on behalf of an individual or family, and not directly to an individual or family in the form of income payments, debit cards, gift cards or similar direct income payments.
- CDBG-CV grantees must ensure that proper documentation is maintained to ensure that all costs incurred are eligible.
- Grantees supporting public service activities that provide for emergency payments must document, in their policies and procedures, how they will determine the amount of assistance to be provided is necessary and reasonable.

**TIP: VIEW THE CDBG CARES ACT WEBINAR SERIES: OVERVIEW OF THE FEDERAL REGISTER NOTICE (FR 6218-N-01) AVAILABLE ON THE HUDEXCHANGE.**

## BLUEPRINT FOR SOUND FINANCIAL MANAGEMENT FOR CDBG-CV FUNDS

HUD Grantees must:

- Use awarded funds prudently
- Comply with Federal statutes, regulations, and the terms and conditions of the award
- Review the following financial and grants management internal controls and account management requirements to ensure adequate financial management systems are in place.

**Let's get started!**

Key points to be reviewed	√ when completed
1. Have I reviewed the terms and conditions in the funding approval/agreement?	
2. Have I familiarized myself with the relevant federal regulations that apply to CDBG-CV funds?	
3. Am I familiar with the grant provisions, particularly those related to allowable costs?	
4. Do I know how to contact my Field Office to raise questions or concerns?	
5. Do I understand the financial management principles required to manage CDBG-CV funds?	
6. Do I have a system to organize financial statements, document costs, and ensure internal controls?	

**How did you do? Make sure you can check all six key points!**

## CREATING AN EFFECTIVE FINANCIAL MANAGEMENT SYSTEM (FMS)

This section contains some basic requirements to determine if your financial systems and policies comply with the conditions of your CDBG-CV award. Grantees must develop and utilize an effective and efficient record-keeping system to properly account for CDBG-CV funds. Grantees must be able to track expenditures including personnel and non-personnel cost by grant agreement or funding source.

**Let's give your FMS a "health checkup." Are you presently able to identify and authenticate:**

- ✓ By account, all Federal awards received and expended by:
  - CFDA title and number
  - Federal award identification number and year
  - Name of the Federal agency
  - Name of the pass-through entity
  
- ✓ The source and application of all CDBG-CV funded activities including:
  - Authorizations
  - Obligations
  - Unobligated or unexpended balances
  - Assets
  - Expenditures
  - Program income
  - Interest
  
- ✓ Records that are supported by source documentation including:
  - Purchase orders
  - Invoices
  - Contracts or Agreements
  - All records pertinent to the CDBG-CV award
  
- ✓ Procedures to compare actual expenditures with budgeted amounts for all CDBG-CV award budget categories.
  
- ✓ Accurate, current, and complete disclosure of the financial results the CDBG-CV award in accordance with the reporting requirements.
  - Is CDBG-CV funding encumbered for executed contracts or costs accrued for approved purchase orders?
  - Can the encumbered and approved amounts be supported?
  
- ✓ Written procedures to minimize the time elapsing between the receipt of CDBG-CV funds from Treasury and their disbursement for authorized program purposes.

- ✓ Policies and procedures for determining the allowability of costs in accordance with cost principles specified in subpart E Subpart E of 2 CFR part 200 and the specific terms and conditions of the CDBG-CV award?
- ✓ Do the FMS records allow for accurate, current, and complete disclosure of the financial results in HUD standard reports e.g., the CAPER?
- ✓ Establish effective internal control policies and procedures that provide:
  - Reasonable assurance:
    - that the grantee is managing CDBG-CV funds in compliance with Federal statutes, regulations, and
    - the terms and conditions of the CDBG-CV award
  - Effective control over, and accountability for, all funds, property, and other assets
- ✓ Written standards of conduct for officers and employees of the CDBG-CV grantee.

#### IMPORTANCE OF INITIAL AND ONGOING SELF-ASSESSMENTS

Self-assessment is a recognized best practice that reinforces the responsibility and accountability for internal control over financial resources and reporting. Grantees must understand financial management principles and have a comprehensive system for organizing financial records, managing, and documenting costs, ensuring adequate internal controls and expenditure and performance reporting.

We strongly encourage our grantees to assess compliance with the financial management standards required under the terms and conditions of your award. The CPD Monitoring Handbook, Chapter 34 financial management exhibits found at the link contained in the resource section of the guide, is a helpful resource that grantees can utilize to determine compliance.

## RESOURCES

CDBG CORONAVIRUS Guidance

[https://www.hud.gov/program\\_offices/comm\\_planning/cdbg\\_programs/Coronavirus](https://www.hud.gov/program_offices/comm_planning/cdbg_programs/Coronavirus)

CDBG CV HUD Exchange Program Page

<https://www.hudexchange.info/programs/cdbg-cv/>

Federal Programs DOB Tool

<https://files.hudexchange.info/resources/documents/CARES-Act-Programs-CDBG-Awareness-Duplication-Benefits.pdf>

Financial Management Curriculum

<https://www.hudexchange.info/trainings/financial-management-curriculum/>

CPD Monitoring Handbook-Chapter 34 –

[https://www.hud.gov/program\\_offices/administration/hudclips/handbooks/cpd/6509.2/](https://www.hud.gov/program_offices/administration/hudclips/handbooks/cpd/6509.2/)