



State of California
Department of Housing and
Community Development

2023/2024 Community Development Block Grant – Insurance
Resilience Planning Program

Policies and Procedures Manual

Version 1.0
September 2025

Version Policy

Version history is tracked in the table below with notes regarding version changes. The dates of each publication are also tracked on the table.

Substantive changes within this document that reflect policy change result in the issuance of a new version. For example, a change to the Application process would be a substantial change. Future substantial policy changes, as applicable, will result in additional revisions and the issuance of a new primary number version.

Non-substantial changes, such as minor wording and editing or clarification of existing policy that do not affect the interpretation or applicability of the policy, will be included in minor version updates denoted by a sequential number increase behind the primary version number. Such changes would result in a version number such as 2.1, 2.2, etc.

Version History

Version Number	Date Revised	Description of Revisions
v1.0	September 2025	Initial Draft: Policies and Procedures are <u>subject to change</u> at the sole discretion of HCD.

Table of Contents

Table of Contents	3
1. General	5
1.1. Purpose and Scope	5
1.2. Terms and Definitions	6
2. Program Activities and Requirements (Program Requirements)	12
2.1. Eligible Activities	12
2.1.1. Planning and Capacity Building	12
2.2. Subrecipient	12
2.3. Geographic Eligibility	12
2.4. IRPP Program Beneficiaries	13
2.5. Meeting a National Objective	13
2.5.1. Overall Benefit Requirement	13
2.6. Funding Provisions	13
2.6.1. Project Award	14
2.6.2. Eligible and Ineligible Costs	14
2.6.3. Duplication of Benefits	15
2.6.4. Recapture of Funds	15
2.7. CDBG-DR and Cross-Cutting Federal Requirements	16
2.7.1. Americans with Disabilities Act	16
2.7.2. Copeland Act's Anti-Kickback Provision	16
2.7.3. Contract Work Hours and Safety Standards Act	17
2.7.4. Force Account Labor	17
2.7.5. Equal Employment Opportunity Act	17
2.7.6. Fair Labor Standards Act of 1983, As Amended	17
2.7.7. Davis-Bacon Labor Standards	18
2.7.8. Section 3 of the HUD Act of 1968	19
2.7.9. Fair Housing	22
2.7.10. Residential Anti-Displacement	22
2.7.11. Uniform Relocation Act and Real Property Acquisition	23
2.7.12. Financial Management	23
2.7.13. Insurance and Property Management	24
2.7.14. Recordkeeping, Retention, and File Management	24
2.7.15. Procurement Policy	25
2.7.16. Audit Trail	26
2.7.17. Conflicts of Interest and Confidentiality	27

2.7.18. Environmental Review	28
3. Implementation Policies	29
3.1. Phase 1: Project Selection	29
3.1.1. Project Intake Process	29
3.1.2. Intake Requirements	29
3.1.3. Intake Form Review	31
3.1.4. Authorizing Resolution	31
3.2. Subrecipient Due Diligence	32
3.3. Technical Assistance to Subrecipients	32
3.4. Activity Delivery Costs	33
3.4.1. Authorization to Incur Costs Before an Executed Standard Agreement	33
3.4.2. Subrecipient ADCs with Incomplete Projects	34
3.5. Subrecipient Agreements	34
3.6. Agreements Between Subrecipient and Contractors or Other Parties	36
3.7. Document Retrieval Process	37
3.8. Disbursement of Funds	37
3.9. Reporting Requirements	37
3.10. Monitoring and Compliance	38
3.10.1. HCD's Monitoring of Subrecipients – Risk Assessments	38
3.10.2. Subrecipient Monitoring Responsibilities	40
3.11. Record Keeping	41
3.12. Closeout	43
3.12.1. Closeout of a Standard Agreement	43
3.12.2. HCD Closeout of HUD Grant	43
4. Appendix A: Map of MID and Disaster Impacted Areas	46

1. General

1.1. Purpose and Scope

This document addresses requirements, policies, and procedures specific to the Community Development Block Grant – Disaster Recovery (CDBG-DR) Insurance Resilience Planning Program.¹ Subrecipients should review all applicable Federal regulations, disaster specific Federal Register Notices, the state's [CDBG-DR Action Plan](#), and the [Grant Administration Manual](#), all as the same may be amended from time-to-time, for detailed discussions of CDBG-DR procedures and requirements, including rules for specific Projects, eligibility, program deadlines, protocols for demonstrating capacity, and specific eligible and ineligible costs.

In response to extreme winter storms, flooding, mudslides, and landslides in 2023 and 2024, the U.S. Department of Housing and Urban Development (HUD) released Federal Register Notice [90 FR 4759](#) on January 16, 2025, that allocated \$416,597,000 of CDBG-DR funds to State of California Department of Housing and Community Development (HCD), under [Public Law 118-158](#). The CDBG-DR funds are to support recovery and mitigation efforts in areas impacted by FEMA Disasters DR-4699, DR-4758, and DR-4707, covering Monterey, San Benito, San Diego, Santa Cruz, Tulare, and Tuolumne counties, as well as the Hoopa Valley Tribe, with no less than 80 percent of the funds expended in the most impacted distressed areas (MIDs).

As part of the CDBG-DR Action Plan Needs Assessment, HCD has identified both the underinsured population and the rising cost of insurance as a critical mitigation need that overlays the traditional environmental risks. Ensuring that a community has adequate insurance to mitigate their recovery needs is critical to reducing the impacts from future disasters. In California, despite record-breaking floods across the state, the number of National Flood Insurance Program (NFIP) policies between December 2023 and December 2024 dropped by nearly 10,000 households.

In response to this initial analysis on the importance of insurance and the drop in NFIP coverage, HCD has dedicated \$7.5 million of the CDBG-DR funds to the 2023/2024 Insurance Resilience Planning Program.

The purpose of the program is to implement a Planning Project which focuses on the insurance gaps of the MID communities. This plan will look at the current insurance market in the MIDs, assess gaps, and look at possible solutions for communities to consider. These solutions will focus on insurance products or solutions which can mitigate future recovery, particularly for at-risk communities, and promote self-reliance.

¹ CDBG-DR is the funding source and IRPP is the program

The Project must fully comply with all applicable federal rules and regulations, including without limitation, labor compliance (*i.e.*, Davis-Bacon and Related Acts), lower-income priority workers (*i.e.*, Section 3), disability rights (*i.e.*, Section 504), procurement, environmental review, and all other CDBG-DR, cross-cutting, state and local applicable statutes, rules, and regulations.

A Subrecipient to implement the Project will be directly selected based on its unique expertise and experience. HCD's review of Subrecipient capacity and other due diligence items as well as key Project documentation will be collected and saved in Grants Network.

1.2. Terms and Definitions

Acronym	Meaning
CDBG-DR FEMA	Community Development Block Disaster Recovery Program Federal Emergency Management Agency
HCD HCDA	State of California Department of Housing and Community Development Housing and Community Development Act of 1974, as amended
HUD IRPP	U.S. Department of Housing and Urban Development CDBG-DR Insurance Resilience Planning Program

Activity Costs: Direct costs from undertaking a project, which can be tied to a final Project and eligible activity.

Activity Delivery Costs (ADC): ADCs are allowable costs incurred for implementing and carrying out eligible CDBG activities. ADCs cover the costs of staff directly carrying out the activity in addition to engineering, design, architecture, and environmental services that are necessary for successful completion of the activity. ADCs must be allocable to a CDBG-assisted activity, meet a national objective, and meet all other CDBG program requirements.

Area Median Income (AMI): Means the median family income for specific geographic areas, adjusted for household size, as calculated by HUD, and published annually by HCD for the CDBG program at <https://www.hcd.ca.gov/grants-and-funding/income-limits>. For Tribal Entities, if the HUD AMI for the county located within the Tribal Entity's service area is lower than the United States Median, The Tribal Entity may use the United States median income limit as AMI.

Authorization to Use Grant Funds (AUGF): Is the written notification from HCD to the Subrecipient indicating that a specific Project has met HCD's prerequisites, including all applicable environmental clearances, and authorizing the Subrecipient to expend CDBG-DR funds on that specific Project.

Authorizing Resolution: Is a formal resolution of the Subrecipient's highest authority, including but not limited to the city council or county board of supervisors, board of directors, tribal council or tribal leadership, authorizing the Subrecipient to accept CDBG-DR funding and the responsibilities that attach thereto and authorizing persons performing specific roles to act on its behalf, including, but not limited to, being a signatory of the HCD Standard Agreement and other supporting documents.

Beneficiary: (Also "participant") The individuals that benefit from participation in a Project administered by a Subrecipient.

California Environmental Quality Act (CEQA): Is a statute that requires state and local agencies to identify the significant environmental impacts of their actions and to avoid or mitigate those impacts, if feasible. For Tribal Applicants where the Project is located on trust land, this requirement will not apply.

Code of Federal Regulations (CFR): Is the acronym used for the Code of Federal Regulations.

Contractor: Contractor means a procurement relationship between a non-Federal entity to obtain goods and services for its own use and the Contractor as a provider in 2 [CFR § 200.331](#). Contract is defined at 2 CFR [§ 200.1](#). Characteristics indicative of a procurement relationship between the non-Federal entity and a Contractor are when the Contractor meets at least one of the following:

- Provides the goods and services within normal business operations.
- Provides similar goods or services to many different purchasers.
- Normally, operates in a competitive environment.
- Provides goods or services that are ancillary to the operation of the Federal program.
- It is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons.

Cross-Cutting Federal Requirements: Federal regulations that apply to any project or program funded by federal money, including HUD funding. These federal requirements pertain to financial management, procurement, environmental, labor, acquisition, relocation, fair housing, and non-discrimination.

Davis-Bacon Wage Requirements: The Davis Bacon and Related Acts (DBRA) requires all Contractors and Subcontractors performing work on federal or District of

Columbia contracts or federally assisted contracts in excess of \$2,000 for construction, alteration, or repair (including painting and decorating) to pay their laborers and mechanics not less than the prevailing wage rates and fringe benefits for corresponding classes of laborers and mechanics employed on similar Projects in the area. The prevailing wage rates and fringe benefits are determined by the Secretary of Labor for inclusion in covered contracts. Contractors and Subcontractors on DBRA prime contracts in excess of \$150,000, or related DBRA contracts in excess of \$100,000, are also required, pursuant to the Contract Work Hours and Safety Standards Act, to pay laborers and mechanics one and one-half times their basic rates of pay for all hours over 40 worked on a covered contract in a workweek. For Tribal Applicants where the Project is located on trust land, this requirement will not apply if the tribe has formally adopted through its Tribal Law a Tribally Determined Wage (TDW) and has provided HCD with 1) copy of the tribal resolution or ordinance adopting the TDW and 2) the methodology of how it determined the wage, pursuant to 25 U.S.C. § 1000.16 (e).

Duplication of Benefits (DOB): Financial assistance received from another source that is provided for the same purpose as the CDBG-DR funds. The Stafford Act prohibits any person, business concern, or other entity from receiving financial assistance from CDBG-DR funding with respect to any part of the loss resulting from a major disaster as to which he/she has already received financial assistance under any other program or from insurance or any other sources. It is an amount determined by the program that may result in the reduction of an award value.

Environmental Review Record (ERR): A permanent set of files containing all documentation pertaining to the environmental review compliance procedures conducted and environmental clearance documents as required by CEQA and NEPA regulations. (See California Environmental Quality Act and National Environmental Policy Act).

Federal Emergency Management Agency (FEMA): An agency of the United States Department of Homeland Security. The agency's primary purpose is to coordinate the response to a disaster that has occurred in the United States and that overwhelms the resources of local and state authorities.

Grantee: The term "Grantee" refers to HCD.

Grants Network: The Department's electronic grant management system and Application portal.

Grants Network Portal: Project intake form is submitted through the Grants Network Portal. Subrecipients manage awarded Projects through the same Grants Network Portal account.

HUD-Identified MID Area (MID): Cities, counties or other Jurisdictions or geography identified by HUD, as most impacted and distressed areas based on analysis of FEMA and state data.

Jurisdiction: A local city, town, or county.

Low- and Moderate-Income (LMI): Low- and moderate-income persons are those having incomes not more than the “moderate-income” level (80 percent Area Median Family Income) set by the federal government for the HUD-assisted Housing Programs. This income standard changes from year to year and varies by household size, county, and the metropolitan statistical area.

Mitigation: Those activities that increase resilience to disasters and reduce or eliminate the long-term risk of loss of life, injury, damage to and loss of property, and suffering and hardship, by lessening the impact of future disasters as defined in the Federal Register Notice (90 FR 1754, January 8, 2025).

Most Impacted and Distressed (MID): An area that meets the definition of Most Impacted and Distressed set by HUD in the Federal Register Notice ([90 FR 4759](#)). For purposes of the unmet needs allocation, HUD has defined Most Impacted and Distressed as an area (county or zip code) that meets the following criteria:

- Individual Assistance/Individual and Households Program (IHP) designation: HUD has limited allocations to those disasters where FEMA had determined the damage was sufficient to declare the disaster as eligible to receive IHP funding.
- Concentrated damage: HUD has limited its estimate of serious unmet housing need to counties and zip codes with high levels of damage, collectively referred to as “most impacted areas.” For this allocation, HUD is defining most impacted areas as either most impacted counties—counties exceeding \$10 million in serious unmet housing needs—and most impacted zip codes—zip codes with \$2 million or more of serious unmet housing needs. The calculation of serious unmet housing needs is described below.
- Disasters meeting the most impacted threshold: Only 2023/2024 disasters within the threshold are funded: a. One or more most impacted county, and/or b. An aggregate of most impacted zip codes of \$10 million or greater than was declared by the President to be a major disaster area under the Stafford Act for a disaster event occurring in 2023/2024.

National Environmental Policy Act (NEPA): Establishes a broad national framework for protecting the environment. NEPA’s basic policy is to assure that all branches of government consider the environment prior to undertaking any major federal action that could significantly affect the environment.

Nonprofit Organization: Means any entity incorporated under the Nonprofit Corporation Law (Division 2 (commencing with Section 5000) of Title 1 of the Corporations Code) or a Nonprofit Organization that qualifies for exempt status under Section 115 or 501(c) of the Internal Revenue Code and registered as a California business entity with the Secretary of State's Office.

Planning Project: A planning project is an activity or series of activities undertaken by a Subrecipient that meets the definition of a planning eligible activity under HCDA Section 105(a)(12) Planning and Capacity Building.

Project: Project means any activity or series of activities undertaken by a Federal Agency or with Federal financial assistance received or anticipated in any phase of an undertaking in accordance with the Federal funding Agency guidelines pursuant to 49 CFR 24.2(a)(22).

Request for Proposal (RFP): A procurement document designed to solicit proposals for services where cost is considered as a factor.

Request for Release of Funds (RROF): An environmental review term for a process used by Responsible Entities when requesting the release of funds and the authority to use such funds for HUD programs identified by statutes that provide for the assumption of the environmental review responsibility by units of local government and states. The approval of the RROF by HCD is required before environmental clearance may be provided to the recipient of CDBG-DR funds.

Responsible Entity (RE): Means the agency receiving CDBG assistance. The Responsible Entity must complete the environmental review process. The RE is responsible for ensuring compliance with NEPA and the Federal laws and authorities, for issuing the public notification, for submitting the Request for Release of Funds and certification, when required, and for ensuring the Environmental Review Record (ERR) is complete, pursuant to [24 CFR Part 58](#).

Section 3: A provision of the Housing and Urban Development (HUD) Act of 1968 that helps foster local economic development, neighborhood economic improvement, and individual self-sufficiency. The Section 3 program requires that recipients of certain HUD financial assistance, to the greatest extent feasible, provide job training, employment, and contracting opportunities for low- or very low-income residents in connection with Projects and activities in their neighborhoods.

Stafford Act: The Robert T. Stafford Disaster Assistance and Emergency Relief Act, PL 100-707 as amended by the Disaster Relief Act of 1974, PL 93-288.

Standard Agreement (SA): The contractual arrangement between HCD and the Subrecipient which sets forth the terms and conditions by which CDBG-DR funds are

utilized. The Standard Agreement allows for one Project to be completed under the agreement.

Subrecipient: An entity receiving an award from HCD under this IRPP for an approved Project and has an executed Standard Agreement with HCD.

Tribal Entity: Tribal Entities are defined as one of the following:

- A tribe that meets the definition of Indian tribe under Section 4103(13)(B) of Title 25 of the United States Code.
- A tribe that meets the definition of Tribally Designated Housing Entity (TDHE) under 25 USC 4103(22).
- A tribe that is either of the following:
 - o Listed in the BIA of Federal Acknowledgement petitioner list pursuant to Section 82.1 of Title 25 of the Federal Code of Regulations; or
 - o Listed on the contact list maintained by the California Native American Heritage Commission for the purposes of consultation pursuant to Section 65352.3 of the Government Code; and
 - o Organized as a separate legal entity-non-profit organization that is organized as a 501(c)(3) organization pursuant to the Internal Revenue Code and it is demonstrated to the satisfaction of HCD that the separate legal entity-non-profit organization is controlled by the Eligible Tribal Entity Applicant.

Uniform Relocation Act (URA): A federal law that establishes minimum standards for federally funded programs and Projects that require the acquisition of real property (real estate) or the displacement of persons from their homes, businesses, or farms.

U.S. Department of Housing and Urban Development (HUD): The federal department through which the CDBG-DR funds are allocated to HCD.

2. Program Activities and Requirements (Program Requirements)

2.1. Eligible Activities

The Project funded through the IRPP must qualify under the Planning CDBG-DR eligible activity, benefit the MID, and meet the HUD definition of Mitigation. Once it is documented that the Project meets these criteria, as well as any other criteria outlined here or in the intake form, the Project can be funded with up to one hundred (100) percent of the Project's approved budget. The IRPP will assist a Nonprofit Organization with a Mitigation-related planning activity that assesses the current insurance market in the MIDs, assesses gaps and looks at possible solutions for communities to consider.

2.1.1. Planning and Capacity Building

The Planning and Capacity Building eligible activity is defined as follows:

- **HCD Section 105(a)(12) – Planning and Capacity Building:** Activities necessary to develop a comprehensive community development plan and increase policy-planning-management capacity so that the recipient of assistance under this title may more rationally and effectively (i) determine its needs, (ii) set long-term goals and short-term objectives, (iii) devise programs and activities to meet these goals and objectives, (iv) evaluate the progress of such programs in accomplishing these goals and objectives, and (v) carry out management, coordination, and monitoring of activities necessary for effective planning implementation.

Planning and capacity building activities do not include:

- Engineering, architectural and design costs related to a specific Project (e.g., detailed engineering specifications and working drawings).
- Income surveys
- Other costs of implementing plans.

2.2. Subrecipient

The Subrecipient for IRPP will be directly selected by HCD based on its unique qualifications to complete the Planning Project.

2.3. Geographic Eligibility

The Project must either be located in the MID area, or, if located outside of the MID area, benefit the area designated by HUD as the Most Impacted and Distressed areas,

or “the MID area” within the disaster-declared counties under DR-4699, DR-4758, and DR-4707.

The following are the MIDs for DR-4699, DR-4758, and DR-4707:

- Hoopa Valley Tribe
- Monterey County
- San Benito County
- San Diego City and County
- Santa Cruz County
- Tulare County
- Tuolumne County

2.4. IRPP Program Beneficiaries

Beneficiaries of the IRPP are individuals that benefit from the IRPP Planning Project.

2.5. Meeting a National Objective

The Planning Project will not be required to meet a national objective. HUD’s Federal Register Notice [90 FR 1754](#) governing the DR allocation describes planning efforts as addressing the national objectives without the limitation of any circumstances.

2.5.1. Overall Benefit Requirement

The primary objective of the HCDA is the “development of viable urban communities by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income” (42 U.S.C. 5301(c)). The HCDA requires grantees to comply with the overall benefit requirement that 70 percent of funds be used for activities that benefit LMI persons.

2.6. Funding Provisions

Funds are awarded as a grant for reimbursement of eligible costs. The final reimbursement request for the Project must be submitted to HCD prior to the contract expiration deadline, as defined in the Standard Agreement.

HCD must ensure costs have been properly incurred and review invoices and/or receipts submitted prior to reimbursement. If at any time costs are deemed ineligible by HCD or HUD, the Applicant is responsible for repayment. All costs must be reasonable and necessary to be eligible for reimbursement.

2.6.1. Project Award

The maximum award for the Planning Project is determined by HCD. Reimbursements to the Subrecipient will be based on actual costs.

2.6.2. Eligible and Ineligible Costs

CDBG-DR awards under the IRPP may fund costs generally considered eligible within HUD's CDBG guidelines.

Eligible Planning and Capacity Building Costs

Examples of eligible planning costs include but are not limited to:

- Project costs related to the preparation and adoption of a plan, such as:
 - Studies
 - Analysis
 - Data gathering, preparation of plan
 - Identification of actions that will implement plans
- Equipment and software necessary to conduct the activity
- Staff time for planning activities, including:
 - Coordination, collaboration, oversight, management of planning vendors
 - Activities necessary to procure a planning vendor
 - Quality Assessments/Quality Control and review of deliverables
 - Monitoring, reporting, invoicing, evaluation
 - Outreach and coordination with citizens and stakeholders
 - Coordination, compilation, development, or analysis of new or existing data and studies

Ineligible IRPP Costs

Examples of items that are ineligible for program costs include, but are not limited to, the following:

- Construction or construction-related activities, including capital improvements to existing facilities
- Engineering, architectural and design costs related to a specific Project (e.g., detailed engineering specifications and working drawings)
- Other costs of implementing plans
- Income surveys
- Immovable equipment purchase, lease, or maintenance
- Purchase of land and buildings
- Political or religious activities

- Entertainment, including amusement, diversion and social activities, food and beverages associated with training and other work activities
- Costs associated with preparation of the grant Application
- Travel not associated with the training of staff
- Donations and contributions, including cash, services or property
- Fundraising activities
- Investments in instruments or for the sole purpose of a return in investment.

2.6.3. Duplication of Benefits

All activities funded with CDBG-DR must undergo a review and calculation for Duplication of Benefits (DOB) prior to funding awards and again prior to Project close out to ensure that duplicative assistance is not provided for the IRPP Project in subsequent phases in accordance with the Stafford Act.

As HCD has the responsibility to ensure that IRPP provides assistance only to the extent that the need has not been fully met by funds that have already been paid, or will be paid, from another source, the Applicant must document in the Intake Form all funds obtained for the same purpose as the IRPP Project from the date of disasters DR-4699, DR-4758, and DR-4707 until the date of the Intake Form. HCD also reserves the right to require that the Subrecipient perform additional DOB checks throughout the course of the Project's period of performance to ensure that there is no duplicative assistance. In the event that there is any duplication, the Standard Agreement shall include provisions requiring repayment to HCD by the Subrecipient, in an amount equal to any assistance later received from other sources for the same purpose as the CDBG-DR funds.

2.6.4. Recapture of Funds

HCD is responsible for ensuring that the CDBG-DR funds awarded by HUD comply with all federal, state, and local requirements. In situations where funds are disbursed to Applicants determined to be ineligible for assistance or are used for ineligible activities, a Subrecipient may be required to repay to HCD or HUD, as applicable, all or a portion of the disbursed funds through recapture under the following conditions:

- A Subrecipient does not comply with the terms of the Standard Agreement.
- A Subrecipient withdraws from the Program prior to completion of the Project and/or fails to meet a National Objective, as applicable.
- A Project does not meet the requirements specified in this section, Section 2 Program Requirements.
- A Subrecipient is found to have used program funds for an ineligible activity or cost.

- A Subrecipient receives assistance for the same purpose as the funded IRPP Project including but not limited to insurance settlement funds, FEMA assistance, nonprofit assistance (*i.e.*, a DOB).
- Funds are remaining after the Project is completed or the Standard Agreement has expired.

The above list is not exhaustive and other conditions may arise that will subject the Subrecipient to the recapture of funds. Recapture of funds are determined on an individual basis in accordance with 2 C.F.R. Part 200 and other applicable cost principles. Recapture provisions shall be included in the Standard Agreement and any agreements entered into between the Subrecipient and other parties.

2.7. CDBG-DR and Cross-Cutting Federal Requirements

HCD and its Subrecipients must comply with all applicable federal laws and implementing regulations, including but not limited to the identified Cross-Cutting Federal Requirements set forth below. Further, all IRPP Projects must comply with any and all applicable State of California laws and implementing regulations or guidelines, and locally adopted codes, and ordinances. This section provides a summary of the significant and applicable Cross-Cutting Federal Requirements for all IRPP activities.

2.7.1. Americans with Disabilities Act

Where applicable, this section applies to all HCD Subrecipients, and vendors. The Americans with Disabilities Act of 1990 (ADA) modifies and expands the Rehabilitation Act of 1973 to prohibit discrimination against "a qualified individual with a Disability" in employment and public accommodations. The ADA requires that an individual with a physical or mental impairment who is otherwise qualified to perform the essential functions of a job, with or without reasonable accommodation, be afforded equal employment opportunity in all phases of employment. HCD ensures that reasonable modifications or changes to policies and procedures are made in order to guarantee people with disabilities equal access to services and programs. Additionally, all activities are accessible, both structurally and administratively, to persons with disabilities.

2.7.2. Copeland Act's Anti-Kickback Provision

The "Anti-Kickback" provision of the Copeland Act (40 USC, Chapter 3, Section 276c and 18 USC, Part 1, Chapter 41, Section 874; and 29 CFR Part 3) requires that workers be paid weekly, that deductions from workers' pay be permissible, and that Contractors maintain and submit weekly payrolls.

The U.S. Department of Labor describes the Copeland Act's Anti-Kickback as prohibiting Contractors and Subcontractors performing work on covered contracts from in any way inducing an employee to give up any part of the compensation to which he

or she is entitled. The Copeland Act and implementing regulations also require Contractors and Subcontractors performing on covered contracts to pay their employees on a weekly basis and in cash or a negotiable instrument payable on demand and to submit weekly payroll reports of the wages paid to their laborers and mechanics during the preceding payroll period. Additionally, the Act's regulations at 29 CFR §§ 3.5 and 3.6 list payroll deductions that are permissible without the approval of DOL and those deductions that require consent of DOL and prohibit all other payroll deductions.²

2.7.3. Contract Work Hours and Safety Standards Act

The Contract Work Hours and Safety Standards Act (40 USC, Chapter 5, Sections 326-332; and 29 CFR Part 4, 5, 6 and 8; 29 CFR Part 70 to 240) applies to contracts over \$100,000 and requires that workers receive overtime compensation (time and one-half pay) for hours they have worked in excess of 40 hours in one week. Violations under this Act carry a liquidated damages penalty (\$10 per day per violation).

2.7.4. Force Account Labor

Force account labor occurs when subrecipients use their own workforce to complete construction of a CDBG-DR project funded through HCD. Force account labor should not be applicable to IRPP, but if it becomes applicable, it requires advanced review and approval by HCD. This may be documented by approval of a Project budget that includes force account labor as a line item. Subrecipients that proceed without prior approval risk disallowance of all costs incurred.

2.7.5. Equal Employment Opportunity Act

Executive Order 11246, Equal Employment Opportunity, as amended, where applicable, prohibits federal Contractors and federally assisted Contractors and subcontractors who do over \$10,000 in government business in one year from discriminating in employment decisions on the basis of race, color, religion, sex, sexual orientation, gender identity or national origin. The Executive Order also requires government contractors to take affirmative action to ensure that equal opportunity is provided in all aspects of their employment (41 CFR Part 60).

2.7.6. Fair Labor Standards Act of 1938, As Amended

A Subrecipient that receives CDBG-DR funds must comply with the Fair Labor Standards Act of 1938, as amended (FLSA). The FLSA establishes the basic minimum wage levels for all work and requires the payment of overtime at the rate of at least one

² <https://webapps.dol.gov/elaws/elq/kickback.htm>

and one-half times the basic hourly rate of pay for hours worked in excess of 40 per week. These labor standards are applicable to the entire Project contract regardless of whether or not CDBG-DR funds finance only a portion of the Project. As applicable, all workers employed by contractors or subcontractors in the performance of construction work financed in whole or in part with assistance received under HCD's IRPP must be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended or a TDW as applicable, excluding the exceptions listed below.

In some cases, the State of California prevailing wage rate and the Davis-Bacon prevailing wage rates both apply. In such instances, the higher of the two wage rates prevails. Exceptions to the FLSA include:

- Construction contracts of \$2,000
- Real property acquisition
- Architectural and engineering fees
- Other services (such as legal, accounting, construction management)
- Other non-construction items (such as furniture, business licenses, real estate taxes).
- Rehabilitation of residential property designed for fewer than eight families
- Debris removal demolition, and/or clearance activities, unless related to construction (demolition and clearance as independent functions are not considered construction).

2.7.7. Davis-Bacon Labor Standards

A Subrecipient that receives CDBG-DR funds must comply with the Davis Bacon and Related Acts (DBRA). The DBRA requires all contractors and subcontractors performing work on federal contracts or federally assisted contracts in excess of \$2,000 for construction, alteration, or repair (including painting and decorating) to pay their laborers and mechanics not less than the prevailing wage rates and fringe benefits for corresponding classes of laborers and mechanics employed on similar Projects in the area. The prevailing wage rates and fringe benefits are determined by the Secretary of Labor for inclusion in covered contracts. Prime contractors and subcontractors on Davis-Bacon Act contracts in excess of \$150,000, or related Act contracts in excess of \$100,000, are also required, pursuant to the Contract Work Hours and Safety Standards Act, to pay laborers and mechanics one and one-half times their basic rates of pay for all hours over 40 worked on a covered contract in a workweek.

Subrecipients must comply with the DBRA by ensuring that applicable Projects and services are in compliance with DBRA by timely submitting the necessary documents including, but not limited to, certified payroll records and interviews of prime and subcontractor laborers; all supporting compliance documentation must be uploaded to

Grants Network to be in compliance as HCD only reviews Subrecipient's DBRA documentation that is properly uploaded to Grants Network.

Subrecipients may be impacted by the HUD's Office of Community Planning and Development (CPD) Notice [CPD-15-07](#) issued on September 15, 2015. The Notice provides guidance on pre-Application costs and clarifies how Cross-Cutting Federal Requirements apply to CDBG-DR activities. Notice CPD-15-07 includes clarification on the applicability of DBRA and provides, "...the Davis-Bacon wage rates will not apply when the Grantee was not a party to the construction contract. The construction work is fully complete before the owner applies for CDBG-DR assistance. If construction work is ongoing when an Application for reimbursement or financing of construction costs is submitted, then Davis-Bacon prevailing wage rates are applicable. Under regulations of the Department of Labor (DOL) at 29 CFR 1.6(g), where Federal assistance is not approved prior to contract award (or the beginning of construction if there is no Contractor award), Davis-Bacon wage rates apply retroactively to the beginning of construction and must be incorporated retroactively in the contract specifications (pg. 7)."

2.7.8. Section 3 of the HUD Act of 1968

Section 3 of the Housing and Urban Development Act of 1968 (Section 3), as amended, requires that economic opportunities generated by CDBG-DR funds be targeted toward Section 3 residents. Section 3 eligible residents are low- and very low-income persons, particularly those who live or reside in public or government assisted housing.

In accordance with Section 3, recipients using CDBG-DR funding for housing or other public construction are required, to the greatest extent feasible, to provide training and employment opportunities to lower income residents and contract opportunities to businesses in the Project area.

Projects assisted with IRPP funds in excess of \$200,000 trigger Section 3 requirements. When triggered, best efforts must be made to extend Section 3 opportunities to verified Section 3 residents and business concerns to meet these minimum numeric goals: (1) 25 percent of the total hours worked on a Section 3 Project must be worked by Section 3 workers; and (2) 5 percent of the total hours worked on a Section 3 Project must be worked by Targeted Section 3 workers.

The Subrecipient and Subrecipient's Contractors shall comply with Section 3 and implement regulation at 24 CFR Part 75. The responsibilities outlined in 24 CFR Part 75.19 include

1) Implementing procedures designed to notify Section 3 workers about training and employment opportunities generated by Section 3 covered assistance, and 2) Section 3

business concerns about contracting opportunities generated by Section 3 covered assistance.

Notifying potential Contractors for Section 3 covered Projects of the requirement of Part 75, Subpart C and incorporating the Section 3 Clause set forth below in all construction and construction related solicitations and contracts.

Section 3 Clause

The work to be performed under this contract is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (Section 3). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted Projects covered by Section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.

The parties to this contract agree to comply with HUD's regulations in 24 CFR. Part 75, which implements Section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the Part 75 regulations.

The Contractor agrees to send to each labor organization or representative of workers with which the Contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the Contractor's commitments under this Section 3 clause and will post copies of the notice in conspicuous places at the work site where both employees and Applicants for training and employment positions can see the notice. The notice shall describe the Section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; the name and location of the person(s) taking Applications for each of the positions; and the anticipated date the work shall begin.

The Contractor agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 CFR Part 75 and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this Section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR Part 75. The Contractor will not subcontract with any subcontractor where the Contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR Part 75.

The Contractor acknowledges that Subrecipients, Contractors, and subcontractors are required to meet the employment, training, and contraction requirements of 24 CFR 75.19, regardless of whether Section 3 language is included in recipient or subrecipient agreements, program regulatory agreements, or contracts.

The Contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the Contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR Part 75 require employment opportunities to be directed, were not filled to circumvent the Contractor's obligations under 24 CFR Part 75.

Noncompliance with HUD's regulations in 24 CFR Part 75 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

The Contractor agrees to submit, and shall require its subcontractors to submit to them, annual reports detailing the total number of labor hours worked on the Section 3 Project, the total number of labor hours worked by Section 3 Workers, and the total number of hours worked by Targeted Section 3 Workers, and any affirmative efforts made during the quarter to direct hiring efforts to low- and very low-income persons, particularly persons who are Section 3 workers and Targeted Section 3 workers.

The Project Completion Report shall also include a Section 3 Summary Report of the total number of labor hours worked by all contractors and subcontractors, the total number of labor hours worked by Section 3 workers, and the total number of labor hours worked by Targeted Section 3 workers, as required pursuant to 24 CFR 75.25(a). In the event that the number of Section 3 worker labor hours divided by the total labor hours worked by all workers on a Section 3 Project does not meet or exceed HUD's 25 percent standard, and/or that the number of Section 3 targeted worker labor hours divided by the total labor hours worked by all workers on a Section 3 Project does not meet or exceed HUD's Five percent standard, the Subrecipient shall provide additional reporting on the qualitative nature of its activities and those its contractors and subcontractors pursued, as defined at 24 CFR 75.25(b). The standards for hours worked by Section 3 Workers and Targeted Section 3 Workers are subject to change by HUD as published in the Federal Register.

The IRPP Project is required to meet Section 3 requirements as shown above. Section 3 goals and objectives are set depending on the date of completion of each Project and Project bid dates. HCD staff ensures that Section 3 objectives are addressed through direct technical assistance with Subrecipients and file reviews of Projects.

HCD requires the following actions of all Subrecipients to ensure compliance with Section 3:

- Prepare and utilize a Section 3 Plan.
- Designate a Section 3 Coordinator.
- Take affirmative steps to follow the Section 3 Plan and document those efforts
- Include the Section 3 Clause and the Contractor Certification of Efforts to Fully Comply with Employment and Training Provision of Section 3 in any bid packets for contracts on CDBG-DR Projects. Notify all bidders that adherence to the Recipient's Section 3 Plan is required for contracts and sub-contracts in excess of \$200,000.

2.7.9. Fair Housing

Subrecipient that receive CDBG-DR funds must comply with the Fair Housing Act requirements when applicable. The Fair Housing Act requires all Grantees, Subrecipients, and/or Developers funded in whole or part with HUD financial assistance for housing related activities to certify that no person was excluded from participation in, denied the benefit of, or subjected to discrimination in any housing program or activity because of their age, race, color, creed, religion, familial status, national origin, sexual orientation, military status, sex, disability or marital status.

HCD enforces the Fair Housing Act by ensuring that all Grantees, Subrecipients, and/or developers meet the applicable Fair Housing and Affirmative Marketing requirements, provide a marketing plan, and report on compliance in accordance with the Fair Housing Act and the associated forms on HCD's website, where applicable.³ The Affirmative Marketing Plan must be in compliance with applicable Fair Housing Laws and demonstrate how the Applicant affirmatively furthers fair housing throughout applicable HCD Mitigation programs.

For Tribal Applicants where the Project is located on trust land, this requirement will not apply pursuant to 25 U.S.C. § 1000.12.

2.7.10. Residential Anti-Displacement

When applicable, HCD and its Subrecipients shall make every effort to minimize displacement of families from their homes and/or neighborhood, according to the State

³ <https://www.hcd.ca.gov/community-development/building-blocks/program-requirements/equal-housing-opportunity.shtml>

of California's Residential Anti-displacement and Relocation Assistance Plan,⁴ when applicable.

2.7.11. Uniform Relocation Act and Real Property Acquisition

When applicable, HCD and its Subrecipients must comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended by the Uniform Relocation Act Amendments of 1987 (URA or Uniform Act). The URA contains requirements for carrying out real property acquisition or the displacement of a person, regardless of income status, for a Project or program in which HUD financial assistance is provided. The implementing regulations, 49 CFR Part 24, include steps which must be taken with tenant occupants, including those who are not impacted by the HUD assisted activity. URA was amended by Public Law 105-117. For Tribal Entities the Uniform Relocation Act and the Native American Housing and Self Determination Act at 24 C.F.R. 1000.14 shall apply.

2.7.12. Financial Management

HCD ensures that its grant management staff and Subrecipients administering IRPP funds demonstrate conformity with financial management requirements established in 2 CFR 200 and applicable Federal Register Notices. These requirements include, but are not limited to, areas covering Financial Management; Advances; Internal Controls; Accuracy of Report Information; Program Income; Salaries and Wages; Indirect Costs; Lump Sum Drawdowns; and Single Audit provisions pursuant to 2 CFR 200 Subpart F. HCD's financial management system is consistent with and in compliance with 24 CFR Parts 84, 85, and 570 (as applicable), which ensures that IRPP funds are managed with high levels of accountability and transparency.

HCD's Monitoring and Compliance team ensures that the Subrecipient's financial management practices adhere to the following:

- Internal controls are in place and adequate.
- Documentation is available to support accounting record entries.
- Financial reports and statements are complete, current and reviewed periodically.
- Audits are conducted in a timely manner and in accordance with applicable standards.

⁴ https://www.hcd.ca.gov/policy-research/plans-reports/docs/Appendix_D-Relocation_and_Anti-Displacement_Plan.docx

2.7.13. Insurance and Property Management

For all Projects in IRPP, when applicable, all Subrecipients must procure and maintain insurance for the duration of the Subrecipient agreement to protect all contract assets from loss due to any cause, such as theft, fraud and physical damage. If CDBG-DR funds are used to acquire personal property, the Subrecipient is responsible for ensuring that:

- The property continues to be used for its intended (and approved) purpose.
- The Subrecipient keeps track of, and takes care of, the property.
- If the Subrecipient sells or disposes of the property within 5 years after the expiration of the Standard Agreement or a longer period as HCD deems appropriate, the Subrecipient reimburses HCD for the share of the property's value according to the Standard Agreement and applicable law.

2.7.14. Recordkeeping, Retention, and File Management

Subrecipients that receive IRPP funds must comply with the IRPP record retention requirements. Records are maintained to document compliance with Program requirements and Federal, State, and local regulations and to facilitate a review or monitored by HUD.

HCD adheres to State of California record retention requirements, which require all records to be maintained for a period of five (5) years after the CDBG-DR grant closeout with HUD. This requirement is in line with 24 CFR part 570.490, or as required by applicable laws and regulations under 24 CFR parts 570.487, 570.488 and 570.502(a)(7). Exemptions to the five-year period are provided in the applicable laws and regulations under 24 CFR parts 570.487, 570.488 and 570.502(a)(7). Exceptions include, but are not limited to:

- If any litigation, claim, or audit is started before the expiration of the five-year period, records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken.
- When HCD is notified by HUD, or another federal agency, that the record retention period requirement has been extended.
- Records for real property and equipment acquired with CDBG-DR funds must be retained for three years after disposition.
- When records are transferred or maintained by HUD, the retention requirements no longer apply to HCD.

Subrecipients shall retain all records, such as financial records, supporting documents, statistical records, and all other records pertinent to the Standard Agreement for a period of not less than five (5) years after the fiscal year of their grant in accordance

with CDBG-DR record retention requirements. HCD notifies Subrecipients when the HUD grant has been closed. Notwithstanding the above, if there is litigation, claims, audits, negotiations, or other actions that involve any of the records cited and that have started before the retention period, then all such records must be retained until completion of the actions and solution of all issues, or the retention period, whichever occurs later.

Subrecipients are required to establish and maintain at least three major categories of records: Administrative, Financial Management, and Project Files.

Administrative Records

These are files and records that apply to the overall administration of the Subrecipient's CDBG-DR activities. They include the following:

- Personnel files
- Property management files
- General program files: files relating to the Subrecipient's or Contractor's Project information, Standard Agreement(s), program policies and procedures, and correspondence with grantees, and reports.
- Legal files: articles of incorporation, bylaws of the organization, tax status, board or council minutes, contractors, and other agreements.

Financial Records

These include records such as the chart of accounts, cash receipts and disbursement journal, payroll journal, general ledger, and any applicable accounting policies and procedures; and source documentation (purchase order/change, paid invoices, payroll records, timesheets and attendance records, canceled checks, etc.), procurement files, bank account records, audit files, and/or another mechanism approved by HCD in writing for the specific grant, etc.

Project Files

These files document the activities undertaken with respect to specific individual beneficiaries, property owners, and/or properties.

2.7.15. Procurement Policy

Subrecipients must follow federal, state, and local procurement rules, where applicable, when purchasing services, supplies, materials, and/or equipment. Subrecipients are required to adopt procurement procedures in 2 CFR 200.318 – 326. All procurement transactions funded in whole or in part with CDBG-DR funds, regardless of dollar amount, must be conducted to provide “maximum open and free competition.” 2 CFR

200.318(i) requires that Subrecipients maintain records sufficient to detail the significant history of each procurement.

Subrecipient procurement transactions shall also follow best practices of cost reasonableness and must meet the critical tests below. The costs must be:

- **Necessary:** The expenditures fill a necessary gap to address an unmet need that cannot be filled by another funding source, as demonstrated by completed DOB analysis for each Project/activity.
- **Allowable:** The costs must be allowable under the eligibility requirements of CDGB-MIT funds.
- **Allocable:** The costs are logically related to or required in the performance of the Project contract. Many costs may be allowable but not related to the work required under the Standard Agreement.
- **Reasonable:** This term is generally defined as what a prudent business would pay in a competitive marketplace. A cost can be allowable and allocable, and still not be what a prudent businessperson would pay.

The Subrecipient is responsible for procuring contractors and ensuring compliance with local, state and federal regulations and any other relevant applicable laws. For an active previously procured contract that the Subrecipient would like to apply towards a IRPP Project, the Subrecipient must provide the procurement file to HCD for review. HCD program staff are responsible for identifying any concerns regarding conforming to the minimum procurement requirements found at 2 CFR 200.318 – 326. Compliance with all applicable local, state, and federal regulations, or any other relevant applicable laws, will be certified by Subrecipients when financial reports are submitted to HCD and reviewed by HCD during Subrecipient monitoring visits.

2.7.16. Audit Trail

All records defined by the organization as important are captured in HCD's three record management systems: HUD's Disaster Recovery Grant Reporting System (DRGR), the State's Financial Information System for California (FI\$CAL), and the system of record, Grants Network.

Together, these three systems are used to account for IRPP funds, with Grants Network serving as the primary system of records. Grants Network contains both Subrecipient and Project level files including, but not limited to, Application and Project documentation, Subrecipient expenditure tracking, applicable procurement documentation, available funding, Subrecipient agreements and other agreements, financial management, labor compliance (Section 3 and Davis-Bacon), and citizen participation data. Grants Network ensures data security and oversight creating a clear audit trail of IRPP.

All Subrecipient and Project data is secured in HCD's System of Record, Grants Network, in accordance with the State of California's CDBG-DR Grant Administration Manual's retention policy.

Recordkeeping, including scanning and uploading to Grants Network, and filing of pertinent IRPP documentation retention policies are to provide both a physical and an electronic record of activities so that documentation is available for audit purposes.

To protect personally identifiable information (PII), data security measures are in place. HCD, its Subrecipients, and Contractors take the following steps to protect PII:

- Limit collection of PII.
- Maintain hard copies of PII records in locked cabinets.
- Password-protected access to electronic files containing PII.

Filing cabinet keys and electronic passwords are shared with program staff only. HCD releases records containing PII upon request, after verification, by federal and state auditor and other federal or state agencies for Duplication of Benefits analyses. In the event there is any sharing of PII and/or sensitive or protected data pursuant to this Agreement, the Department may, in its sole and absolute discretion, require the parties sharing such data to execute a Data Sharing Agreement, which includes provisions requiring insurance coverage and indemnification of the Department.

2.7.17. Conflicts of Interest and Confidentiality

Conflicts of interest between covered persons (e.g., Applicants, recipients, program administrator, contractors, or program staff) and other parties are strictly prohibited by Federal law. A "covered person" is an employee, agent, consultant, officer, or elected official or appointed official of the state, or of a unit of general local government, or any designated public agencies, or recipients that are receiving CDBG-DR funds. Generally, no person who is a covered person, and who exercises or has exercised any functions or responsibilities with respect to CDBG-DR activities and who are in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from the activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.

The conflict of interest regulations contained in the contract between the Subrecipient and HCD prohibit locally elected officials, state staff, Subrecipient employees, and consultants who exercise functions with respect to CDBG-DR activities or who are in a position to participate in a decision-making process or gain inside information with regard to such activities, from receiving any benefit from the activity either for

themselves or for those with who they have family or business ties, during their tenure or for one (1) year thereafter.

2.7.18. Environmental Review

An environmental review must be performed on the Project prior to federal funds being committed or disbursed by HCD and Subrecipients. The environmental review shall document compliance with 24 CFR Part 58, NEPA, and all related laws, authorities, and executive orders. For IRPP, each Subrecipient receiving IRPP funds, where applicable, becomes the Responsible Entity for completing environmental reviews of all Projects and must submit complete Environmental Review Records and a Request for Release of Funds to HCD to grant the authority to use grant funds. Pursuant to 83 FRN 40314, HCD may accept another federal agency's environmental review.

Subrecipients are also responsible for ensuring compliance with California Environmental Quality Act (CEQA), where applicable, including the submission or designation of applicable waivers to the CEQA Clearinghouse with a copy to HCD. No work may start on a proposed Project, or proposed site acquisition, if applicable, before both the federal and state environmental review processes are completed, even if that work/acquisition is being done using non-federal funds. IRPP does not reimburse Projects that have been determined to have a Finding of Significant Impact (FOSI).

Subsequent to submission of an Intake Form by a Subrecipient for the use of IRPP funds, there can be no **choice-limiting actions** on the part of the Subrecipient until environmental clearance is received in the form of an Authority to Use Grant Funds (AUGF) or environmental clearance letter issued by HCD. The concept of prohibiting **choice-limiting** actions is to prevent the Subrecipient from investing in a Project before all necessary environmental clearances are obtained. Market studies, environmental studies, plan development, engineering or design costs, inspections and tests are not considered "choice-limiting" actions.

Choice-limiting actions are defined as any activity that would have an adverse environmental impact or limit the choice of reasonable alternatives, such as acquisition by the Subrecipient, construction, demolition of buildings or infrastructure, or rehabilitation or reconstruction of buildings or infrastructure. Per 24 CFR Part 58.22, failure to comply with the prohibition against committing funds or taking physical action (using either HUD funds or non-HUD funds) before the completion of the environmental review process could result in loss of HUD assistance, cancellation of the Project, reimbursement by Subrecipient to HCD for the amount expended, or suspension of the disbursement of funds for the affected activity.

Flood Insurance and Floodplain Elevation Requirements

The Subrecipient shall comply, where applicable, with the requirements of the Flood

Disaster Protection Act of 1973 (42 U.S.C. 4001). The Subrecipient shall assure that for activities located in an area identified by FEMA as having special flood hazards, that flood insurance under the National Flood Insurance Program is obtained and maintained as a condition of financial assistance for acquisition or construction purposes (including rehabilitation).

Subrecipients must comply with the national floodplain elevation standards for new construction, repair of substantially damaged structures, or substantial improvements to public facilities in flood hazard areas. All structures designed for public facilities use within a special flood hazard area (SFHA), or one percent annual chance, floodplain will be elevated with the lowest floor at least two feet above the base flood elevation level and comply with the requirements of 83 FR 5850 and 83 FR 5861.

3. Implementation Policies

3.1. Phase 1: Project Selection

3.1.1. Project Intake Process

The Subrecipient must complete the Intake Form following this process:

1. Once Intake Form is made available in Grants Network, the Subrecipient must complete the form and upload the required addenda.
2. HCD will evaluate the intake form for completeness and eligibility. HCD's review process ensures compliance with regulatory requirements and confirms the Project is consistent with Program requirements.
3. HCD will notify the Subrecipient in writing if there are any questions, concerns, or incomplete information on the Intake Form and give the Subrecipient an opportunity to submit revisions in Grants Network.

3.1.2. Intake Requirements

The purpose of the Intake Form is to establish the eligibility and budget of the Project, demonstrate that the Project adheres to program policies and grant conditions, identify and document all funding sources, and provide additional documentation to show compliance with state and federal regulations. The required information, as applicable, is as follows and HCD may modify and provide additional detail and instruction on the intake requirements:

- **Organizational Documents**
 - Articles of Incorporation or Articles of Organization, as applicable.
 - Bylaws or LLC Operating Agreement, as applicable.

- Any other governing documents in support of the capacity of the legal entity to transact business with HCD.
- **Authorizing Resolution**
 - HCD provides a template for each Applicant type that must be used.
 - Authorizing Resolutions must be duly adopted and executed in accordance with the Applicant's procedures and submitted to HCD at the time of Application.
- **Due Diligence (See Section 3.2)**
- **Overall Project Description/Scope of Work**
 - The overall Project description and scope of work provides a complete summary of the Project and demonstrates how the Project meets the HUD definition of Mitigation and at least one program threshold.
 - The Project description includes the ownership of the Project and who benefits from the Project. The scope of work includes a full description of activities.
- **Eligible Activity Documentation**
 - For Planning and Capacity Building Projects, the Subrecipient must identify the end result of the Project and how it will be immediately actionable.
- **MID Documentation**
 - Identification of the MID areas impacted by the Project.
 - Map of the Project's service area in relation to the MID areas.
- **Complete Cost Estimate/Budget**
 - Complete list of all Project funds and sources of funds (CDBG, local, private, other state funds, federal funds, other).
 - All sources of funding required to complete the Project must be identified and secured or readily accessible.
 - Final budget (eligible Activity Costs and Project delivery costs).
- **Duplication of Benefits**
 - Complete list and supporting documentation of potentially duplicative funds for the same purpose (insurance, utility settlements, state and local grants, etc.)
 - Final Duplication of Benefits is calculated by the Subrecipient.

- **Project Maps**
 - Service area of the Project.
 - Census track/block groups related to the service area of the Project.
- **Project Milestones**
 - Milestone 1 – Planning activity initiated
 - Two months from SA execution
 - Milestone 2 – First Financial Report submitted to HCD
 - Two months from SA execution
 - Milestone 3 – Deliverable 1: Draft Needs Assessment Report submitted to HCD
 - Six months from SA execution
 - Milestone 4 – Deliverable 2: Draft Potential Solutions Development & Stakeholder Evaluation Report submitted to HCD
 - 10 months from SA execution
 - Milestone 5 – Deliverable 3: Draft Pilot Design submitted to HCD
 - 15 months from SA execution
 - Milestone 6 – Deliverable 4: Final Report submitted to HCD
 - 18 months from SA execution

3.1.3. Intake Form Review

HCD reviews all aspects of the Intake Form, including scope, budget, eligibility, environmental review, legal/policy issues, procurement, and compliance. Intake Forms are “complete” when all required documentation has been provided by the Subrecipient.

Once the Project meets all eligibility requirements, it is sent to HCD’s Disaster Recovery Policy & Operations Branch for final approval. Once an Intake Form has been approved, the Subrecipient will be notified of the decision via email, and an acceptance letter is uploaded to Grants Network.

The Subrecipient will be given an opportunity to update program schedules or other data that may have aged/changed during the Intake Form review period. The Subrecipient will have ten (10) days to respond to the request. HCD will then work with the Subrecipient to execute a Standard Agreement.

3.1.4. Authorizing Resolution

In order to complete the Intake process, the Subrecipient must upload to the Grants Network Portal an executed Authorizing Resolution on the template provided by HCD, or where applicable, another acceptable format as approved by HCD. If the Subrecipient already has a resolution template, HCD requests that the HCD template be embedded inside of the Subrecipient’s approved template. Note that Nonprofit Organizations must submit the nonprofit Authorizing Resolution template.

The Authorizing Resolution documents each Applicant's authority to submit Intake Forms and enter into a Standard Agreement between the Subrecipient and HCD for IRPP. No agreement between HCD and a Subrecipient will be valid until the Subrecipient's Authorizing Resolution is submitted and accepted by HCD. If allowed by local policies, HCD can accept a resolution from the governing board or leadership authorizing specific Subrecipient staff to enter into a Standard Agreement and submit an Intake Form on the Subrecipient's behalf.

3.2. Subrecipient Due Diligence

For HCD's Subrecipient capacity assessment, as required in Federal Register Notice 90 FR 1754, Applicants are required to provide documents and information as part of the Due Diligence process. Subrecipients are required to comply with the requirements, requests, and results of HCD's capacity assessment and maintain the capacity to carry out activities in a timely manner.

The Due Diligence process may result in special conditions in the Standard Agreement to ensure the Subrecipient's capacity to carry out CDBG-DR activities in a timely manner as required in the terms of the Program. As such, the completion of the Due Diligence is a necessary prerequisite to entering into a Standard Agreement.

3.3. Technical Assistance to Subrecipients

HCD provides various types of technical assistance (TA) to Subrecipients and vendors throughout the program. The objectives of TA are to initially aid the Subrecipient and vendors to clearly understand the program requirements and appropriately submit the Project Application. Through provision of TA, HCD also supports Subrecipients in maintaining their day-to-day compliance with federal and state regulations and program requirements.

In addition, HCD performs a risk assessment to determine a Subrecipient's capacity and to identify deficiencies in complying with applicable grant and program requirements. According to the risk assessment results, HCD provides technical assistance and guidance to Subrecipients to improve their performance, develop or increase capacity, and augment management and technical skills. Some examples of TA include:

- Verbal or written advice
- Formal training and workshops
- Documentation and guidance

HCD encourages Eligible Applicants to reach out to HCD via email to schedule TA related to these Program Policies and Procedures, the NOFA, and Project Applications to ensure Applicants are prepared prior to the Application opening.

3.4. Activity Delivery Costs

The IRPP Program allows for Project Activity and Activity Delivery Costs (ADCs).

Project Activity costs are the costs associated with completing the work of the Project, such as data research and drafting the plan for a Planning project or providing the service for a Public Services Project.

Activity Delivery Costs (ADCs) are allowable costs incurred for implementing and carrying out eligible CDBG-DR activities. ADCs cover the administrative costs of staff directly carrying out the implementation, management, or oversight of an activity. ADCs must meet federal cost principles, meet a national objective, and meet all other CDBG-DR program requirements. There is no maximum cap on ADCs, but Subrecipients must show that ADCs are reasonable for the CDBG-DR-eligible activity being carried out, as authorized under [24 CFR 570.201-570.204](#). If the proposed ADCs exceed 20 percent of the total Project cost, additional justification and documentation are required to justify the need for ADCs that exceed 20 percent of the total Project cost.

Examples of ADCs that may be incurred in a Planning or Public Services project include:

- Procurement activities to select a vendor to perform the Project activities.
- General oversight and program management of Partners and Contractors working on the Project.
- Staff time spent monitoring Partners and Contractors related to the Project.
- Staff time spent completing reporting and compliance requirements for HCD.

3.4.1. Authorization to Incur Costs Before an Executed Standard Agreement

There are two circumstances when ADCs may be incurred prior to the execution of a Standard Agreement.

- 1) With written approval from the HCD Program Manager or Section Chief, ADC expenses for environmental compliance work for intended Project Applications may be incurred prior to execution of the Standard Agreement between the Subrecipient and HCD provided that such expenses are eligible and are supported by documentation satisfactory to HCD.
- 2) With written approval from the HCD Program Manager or Section Chief, other costs may also be incurred prior to the execution of an Standard Agreement, such as the cost of procuring consultants and other professional services required to prepare plans, drawings, specification, or work write-ups not more than 24 months prior to the Approved Project being set up in DRGR, provided the

Subrecipient procured contracts are conducted in a manner consistent with 2 CFR 200.317 – 200.326, “Procurement Standards.”

To seek reimbursement, the Subrecipient must first receive written approval to incur the ADCs and then must submit a complete Financial Report through Grants Network.

In no event shall the Subrecipient’s activities authorized under these two exceptions be considered choice-limiting actions. Regardless of the authorization, it is still the responsibility of the Subrecipient to limit its activities and incurring of costs to comply with the choice-limiting action requirements.

3.4.2. Subrecipient ADCs with Incomplete Projects

If the initial Project(s) are unable to be completed, a review of the causes of the Project failure is performed. The Subrecipient needs to provide documentation demonstrating the cause of the Project’s failure for HCD to review. Depending on the specifics of the situation, HCD may require more evidence of the causes of failure during the review process.

If, after the review, the evidence demonstrates that the Project was put forth and preceded in good faith on the part of the Subrecipient, HCD would consider a new eligible Project from the Subrecipient, as long as the initial ADCs can be shown to have contributed to the new Project. Prior to any funding of the new Project, a new capacity assessment, Project evaluation, and amended Standard Agreement with stricter grant conditions is required.

If the review shows that the Subrecipient acted in a reasonable manner, then the Subrecipient is allowed to put forth a Project proposal. If the Project put forth by the Subrecipient does not meet the program’s eligibility requirements or does not sufficiently demonstrate that the initial Project’s ADCs have contributed to the new Project, HCD shall open the outstanding funding for other Applicants to meet the IRPP program requirements.

If it is shown that the Project failed due to egregious behavior or actions, including but not limited to conflicts of interest, fraud, waste, abuse, and similar types of issues or actions, on the part of the Subrecipient, then any funding payments made toward the Project are required to be repaid and the Subrecipient is not allowed to put forth a new Project submission.

3.5. Subrecipient Agreements

HCD’s Standard Agreement is the contractual agreement between HCD and the Subrecipient which sets forth the terms and conditions by which CDBG-DR funds must be utilized with regards to awarded Projects. Following the approval of Project

Applications by HCD, HCD shall route the Subrecipient's Standard Agreement(s) for approval, and when ready, the Standard Agreement(s) will be delivered to the Subrecipient for execution via Grants Network. Upon execution of the Standard Agreement and completion of NEPA documentation, Subrecipients may begin incurring eligible costs.

Each Standard Agreement includes milestones for each Project, as identified by HCD and in the Project Application. All projects should be completed within 36 months of execution of the Standard Agreement. Additional time may be provided for the Project if sufficient reasons are provided and approved by HCD. All Projects must be completed at least 120 days prior to the Standard Agreement expiration deadline, as defined in the Standard Agreement.

Each Standard Agreement includes the amount of funding committed to approved activities within it, the required reporting schedule and documentation required by each Subrecipient. HCD works with the Subrecipient to ensure timely and accurate reporting. HCD contacts Subrecipients on a regularly scheduled basis to obtain progress updates and to provide technical assistance as the programs progress forward through completion.

By executing HCD's Standard Agreement, the Subrecipient agrees to comply with all federal and state statutes, regulations, and rules that apply to the CDBG-DR activities, as well as the requirements listed within the contract, in exchange for receiving the grant for the awarded activities. Some requirements must be fulfilled prior to incurring costs and/or prior to requesting funds from HCD.

HCD's Standard Agreement includes provisions based on [24 CFR 570.503](#) and includes, but is not limited to, the following components:

- Scope of work, which includes a description of the work to be performed, a schedule for completing the work, and a budget.
- Reports and recordkeeping requirements, defining the specific reports and the reporting dates, along with the particular records and the timeline for maintaining them in order to assist HCD in meeting HUD's recordkeeping and reporting requirements.
- Program income restrictions and requirements for funds generated as result of the activities funded in the Standard Agreement, including HCD approval of program income expenditures, along with reporting requirements
- Uniform administrative requirements, as outlined in both the federal Office of Management and Budget (OMB) and the California State Administrative Manual (SAM).
- Specific grant-related requirements

- Suspension and termination clauses, if HCD finds that a Subrecipient materially fails to comply with the terms of the Standard Agreement, and that the Standard Agreement may be terminated for cause.
- Reversion of assets clause, stating that upon contract expiration, the Subrecipient will transfer CDBG-DR funds on hand to HCD, along with accounts receivable attributed to the use of the CDBG-DR funds (where they do not meet the definition of Program Income).
- Other provisions necessary to ensure compliance with the requirements of the IRPP.

HCD provides the Standard Agreement to the awardee for signature. The Standard Agreement is returned to HCD to execute the Standard Agreement approval process. Please note that it can take multiple months to process a Standard Agreement with the State. This time can be reduced by promptly responding and providing requisite documentation.

3.6. Agreements Between Subrecipient and Contractors or Other Parties

Per 2 CFR 200.213, Subrecipients shall not enter into any agreement, written or oral, with any Contractor, vendor, or other party without the prior determination that the Contractor, vendor, or other party is eligible to receive federal funds and is not listed on the Federal Consolidated List of Debarred, Suspended, and Ineligible Contractors, in accordance with 2 C.F.R. § 200.213.

The term “other party” is defined as public or private nonprofit agencies or organizations and certain (limited) private for-profit entities who receive Grant Funds from a Subrecipient to undertake eligible Projects.

Requirements of an agreement between the Subrecipient and any Contractor, or other party shall include, but are not limited to, the following:

- Compliance with all state and federal requirements, where applicable including those that pertain to labor standards, nondiscrimination, Americans with Disabilities Act, Equal Employment Opportunity, and Drug-Free Workplace Act.
- Maintenance of at least the minimum State-required Workers’ Compensation Insurance, where applicable.
- Maintenance of unemployment insurance, disability insurance and liability insurance which is reasonable to compensate any person, firm or corporation who may be injured or damaged during the performance of Project activities, where applicable.
- Contractors, where applicable, shall:
 - Comply with the applicable provisions of the California Labor Code.

3.7. Document Retrieval Process

All documentation at each step of the process of the Project's operations, from Application to grant completion and closeout, must be submitted through the Grants Network Program Portal. This ensures that all the required documents are available for review and retrieval in one location. To submit or retrieve a document, the Subrecipient must enter their Project Workspace through the Grants Network Program Portal and upload the document into the proper location.

3.8. Disbursement of Funds

Payments are made directly to Subrecipients as reimbursements-based on the documented, satisfactory completion of agreed-upon Project milestones, as set forth in the Standard Agreement.

Activity Delivery and Project costs must be incurred by the Subrecipient and documented as required by the terms of the Standard Agreement for HCD to reimburse costs. Please see HCD's CDBG-DR Grant Administration Manual, Section V for additional financial management procedures and requirements.

3.9. Reporting Requirements

Subrecipients are required to submit reports via Grants Network at times indicated in the Standard Agreement, in accordance with HCD and HUD reporting requirements. At a minimum, during the term of the Standard Agreement, the Subrecipient shall submit to HCD a monthly progress report which may address the following topics:

- Number of beneficiaries served
- Various beneficiary demographic data
- Data related to national objective compliance
- Race and ethnicity beneficiary data, as applicable
- Labor standards compliance reporting
- Data related to Project performance measures included in the Standard Agreement
- Project status
- Expenditure status
- Contract milestones status
- Data related to the household demographics of Project beneficiaries
- A description of the current status of the Project activity
- A description of activities to be undertaken in the next reporting period
- A description of problems or delays encountered in Project implementation and course of action taken to address them

- Any questions that have arisen during implementation or a request for technical assistance
- A description of actions taken to achieve Project milestones

3.10. Monitoring and Compliance

HUD describes monitoring as an integral management control standard and requires any entity receiving HUD funding to timely monitor and evaluate program performance and compliance (see CDBG Regulation 24 CFR 570.501(b)). HCD monitors Subrecipients for compliance with program policies and procedures and all applicable state and federal regulations. HCD staff monitors all CDBG-DR programs and activities.

HCD is required to monitor its Subrecipients for compliance with, among other things:

- The requirements of the DR program.
- FRN requirements applicable to the DR program and any applicable waivers.
- Other federal regulatory guidance, such as Uniform Administrative Requirements, cost principles, and audit requirements outlined in 2 CFR 200
- Specific conditions as stated on 2 CFR 200.205 and 200.207 respectively to mitigate the risk of the grant.
- The Standard Agreement with HCD, including subsequent amendments if any.
- The annual monitoring assessment and strategy.

Monitoring provides information about program participants, assesses quality of performance over time, and is critical for making informed judgements about program effectiveness and management efficiency. It also can potentially identify instances of fraud, waste, and abuse.

The Subrecipient is required to provide HCD, HUD, the Department of Finance, the State Auditor, and any other state or federal agency seeking to monitor the Subrecipient access to all books, accounts, records, reports, files, and other electronic or paper documentation pertaining to the administration, receipt and use of federal funds necessary to facilitate such reviews and audits.

3.10.1. HCD's Monitoring of Subrecipients – Risk Assessments

HCD monitors its Subrecipients and contractors/vendors, when applicable, based upon an assessment of risk posed by the Jurisdiction or Contractor/vendor and according to specific monitoring criteria pursuant to 2 CFR 200.331.

HCD conducts a Risk Assessment on all Subrecipients and contractors/vendors on an annual basis. In accordance with 2 CFR § 200.221, 24 CFR § 570.492 and 42.U.S.C §5304€(2), the Risk Assessment seeks to gauge Subrecipients' capacity to implement a

program or Project, its compliance with the Standard Agreement, performance objectives, and to assess operational risk. The goal of this process is to determine the highest risk areas across all CDBG-DR activities and inform HCD with the programs, Subrecipients, and/or contractors/vendors who require the greatest administrative oversight. The results of the Risk Assessment advise HCD of high-risk Subrecipients and contractors/vendors for the potential provision of technical assistance, capacity training, scheduling frequency, and types of monitoring activities. HCD also reserves the right to monitor Subrecipients and contractors/vendors outside of the schedule developed from the risk assessment on an as needed basis.

The Monitoring Plan provides HCD's responsibilities and procedures for monitoring its Subrecipients, as well as the Annual Monitoring Strategy. Two types of monitoring will be employed by HCD: desk monitoring and onsite monitoring. Both desk monitoring and on-site monitoring follow the same process described below:

- HCD sends a notification letter to the Subrecipient.
- Document collection and pre-monitoring work begins for the next 30 days after issuance of the notification letter.
- HCD and Subrecipient attend Entrance Conference via teleconference for desk monitoring and in person for onsite monitoring.
- HCD completes review of documents, interviews of Subrecipients, and any requests for additional documents.
- HCD and Subrecipient attend Exit Conference via teleconference for desk monitoring and in person for on-site monitoring.
- HCD completes review of findings and concerns; HCD and Subrecipient discuss next steps.
- Monitoring is concluded with a Monitoring Report which HCD issues to the Subrecipient within 30 days of the Exit Conference.

Desk Monitoring

Desk monitoring is conducted at the HCD office regardless of the location of the Subrecipient's office and commences thirty (30) days after the Subrecipient is notified via notification letter. During the 30-day notification period, the Subrecipient will provide HCD with any documentation requested in the notification letter.

A desk monitoring can either be area specific (e.g., Procurement and Contract, Environmental, Section 3, Financial Management) or a comprehensive review of the Project. Typically, desk monitoring is only conducted for low-risk to medium-risk Subrecipients and in some cases may trigger an onsite monitoring based on the findings of the HCD monitor. The outcome of the desk monitoring is communicated to the Subrecipient via an Exit Conference and in writing via a Monitoring Report.

Onsite Monitoring

During the onsite visit, the HCD representative reviews files for compliance with applicable federal and program requirements. This review is similar to the desk monitoring process. To prepare for onsite visits, the HCD monitor uses information contained within Grants Network, the Standard Agreement, and the program Application. Documents for review may include, but are not limited to, items such as employee timecards, financial statements, Project file documents, agreements with vendors and subcontractors, draw requests, and policies and procedures provided by the Subrecipient.

Typically, onsite monitoring is reserved for medium-high to high-risk Subrecipients. This group of Subrecipients present the greatest risk to HCD's compliance with HUD's grant requirements. Onsite monitoring is intended to be a more comprehensive assessment of the Subrecipient's management of the DR program in compliance with applicable federal, state and local regulations and requirements. Onsite monitoring is performed at the Subrecipient's location and is more formal than a desk monitoring.

Generally, HCD does not monitor a Subrecipient's Contractor. Rather, HCD monitors the Subrecipient's monitoring of the Contractor since monitoring Subrecipient's Contractors is the responsibility of the Subrecipient. However, if HCD determines that a Subrecipient has not performed adequate monitoring of its Subrecipients or Contractors, HCD may directly monitor the Subrecipient or Contractor to confirm that applicable regulatory compliance is being provided. When necessary, the HCD representative arranges onsite Project inspections with the Subrecipient and its contractors to confirm eligible CDBG-DR activities are being conducted, eligible costs are being charged and the required National Objective is being met.

3.10.2. Subrecipient Monitoring Responsibilities

HCD requires the Subrecipients to develop their own monitoring plan for their Projects and Contractors that complete construction on CDBG-DR funded Projects. Therefore, Subrecipients are responsible for carrying out their Projects to meet these compliance requirements. HCD's monitoring plan is available on the HCD website and provides guidance to the Subrecipient to develop their own monitoring plan.

It is the responsibility of the Subrecipient to monitor Projects to ensure compliance with terms of the Standard Agreement and applicable laws and regulations. Subrecipient monitoring should include:

- Ensuring Project scopes of work are consistent with the scope of work described in the Project Application.
- Monitoring Contractors for equal opportunity, federal and state labor standards and Section 3 requirements, as applicable.

- Following procurement processes in accordance with 2 CFR §200, state requirements, or local standards if higher.
- Project milestones are being met.
- Environmental reviews are completed and documented properly.
- Complying with the terms and conditions of the Standard Agreement with HCD, especially anti-fraud and abuse.
- Monitoring contractors/vendors for federal compliance standards.
- Financial Management: internal controls, accounting, program income and record keeping are in compliance with 2 CFR 200 and CDBG-DR costs are eligible, allowable, reasonable, and allocable.
- Documenting National Objective compliance for all activities.

Please see the State of California's CDBG-DR Grant Administration Manual, Section XVI, for additional monitoring and compliance procedures and requirements.

3.11. Record Keeping

HCD's Standard Agreement with the Subrecipient is the contractual document that details the financial and record-keeping requirements and standards for Subrecipient's allocated funds to carry out specific eligible CDBG-DR activities. Such reports and record keeping requirements, defining the specific reports and the reporting dates, along with the particular record and the timeline for maintaining them, are to assist HCD in meeting HUD's recordkeeping and reporting requirements per Section 104(e), (a)(2)(D) and (a)(3)(b), §570.506 (records to be maintained), and §570.508 (public access to records). Further record-keeping requirements as detailed in 90 FR 4759 and per HCD's agreement with HUD includes, but is not limited to, the following items that need to be maintained by Subrecipients:

- Executed agreement(s)
- Authorizing Resolutions
- Entity Organizational Documents
- Description, geographic location and budget of each activity
- Eligibility and national objective determinations for each activity
- Evidence of having met a national objective
- Evidence of having met the MID criteria
- Evidence of having met the LMI criteria
- Standard Agreement
- Any bids or contracts
- Characteristics and location of the beneficiaries
- Compliance with special program requirements
- Personnel files
- HUD monitoring correspondence

- Citizen participation compliance documentation
- Fair Housing and Equal Opportunity records
- Environmental Review Records
- Documentation of compliance with crosscutting requirements (e.g., Davis-Bacon, Uniform Relocation Act, and Lead-Based Paint, etc.)
- Budget and expenditure information
- Chart of accounts
- Accounting procedures
- Accounting journals and ledgers
- Source documentation (purchase orders, invoices, canceled checks)
- Procurement files (including bids, contracts, etc.)
- Real property inventory
- Draw down requests
- Payroll records and reports
- Financial reports
- Audit files
- Relevant financial correspondence
- The status of the Project and/or activity
- Tribal Governance Documents
- Tribally Determined Wage Documents
- Tribal Partnership Agreements

Further, Subrecipients are required to maintain financial records and submit financial reports sufficient to ensure compliance with all recordkeeping and reporting requirements. Per the Standards for Financial Management Systems, accounting records must be supported by source documentation such as canceled checks, invoices and demands, payrolls, time and attendance records, contract and sub-grant award documents, etc.

At any time during the term of the Standard Agreement, HCD may perform or cause to be performed an independent financial audit of any and all phases of the Subrecipient's Project(s). At HCD's request, the Subrecipient shall provide, at its own expense, a financial audit prepared by a certified public accountant. As stated in the State of California's CDBG-DR Grant Administration Manual, Section V.J.1 on internal audits, all non-federal entities that expend \$750,000 or more in federal awards in a fiscal year are required to have a single audit for that year in accordance with the Single Audit Act of 1984, Single Audit Act Amendments of 1996, and 2 CFR §200 Subpart F-Audit Requirements.

Subrecipients are required to maintain all books and records for five (5) years following the final closeout of the grant from HUD to HCD. HCD shall notify Subrecipient when the HUD grant has been closed out by HCD. Subrecipients are encouraged to convert

all paper files to electronic files. However, if any litigation, claim, negotiation audit or other action involving the records has been started before the expiration of the five-year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular five-year period, whichever is later.

3.12. Closeout

3.12.1. Closeout of a Standard Agreement

Initiation of Standard Agreement closeout must occur at least one-hundred and twenty (120) days prior to the Standard Agreement expiration date. To complete closeout, IRPP Subrecipients are required to submit the following to HCD for each Standard Agreement:

- The final Request for Funds (aka Financial Report)
- Evidence of a public hearing reporting the grant accomplishments and expenditures of each Project to the residents of the Jurisdiction
- If applicable, the final Projects of the grant funding (planning studies, Environmental Review Records, etc.)

HCD reviews the documentation and processes the final Request for Funds if all provided documentation and the circumstances of the Project warrant contract closeout. HCD disencumbers any remaining funds, if applicable, and updates all needed information in DRGR to show the activities and Projects are “completed.”

HCD reviews and updates the following in DRGR:

- The total amount of funds drawn down for the activity
- A final check for DOB
- The activity type
- The national objective
- The grant activity accomplishments

Once all documentation has been processed and DRGR has been updated, HCD sends a Closeout Letter to the Subrecipient, outlining all closeout requirements. HCD will update the next Quarterly Progress Report (QPR) regarding closeout of a Project's Standard Agreement.

3.12.2. HCD Closeout of HUD Grant

The closeout of the HCD grant is a process through which HUD determines that all applicable administrative and program requirements of the grant were completed. In general, a grant is ready for HUD closeout when the following conditions are met:

- All individual activities were completed, met a national objective, and closed out in DRGR.
- All contracts (*i.e.*, Standard Agreements) have completed closeout.
- All grant funds were expended in full, or all remaining funds are planned to be returned to HUD.
- All reporting requirements were completed and submitted (except for the final report that is submitted during the closeout process, if applicable).
- Any special conditions of the grant were met.
- Any and all audit and monitoring issues affecting the grant were resolved.

Once HCD has completed closeout of all program activities, HCD completes the Subrecipient Closeout Certification Form (HUD Form 40175) along with the Grant Closeout Checklist (HUD Form 40183) and submits these forms to HUD.

Within ninety (90) days of the execution date of the Closeout Certification, HCD submits to HUD a copy of the final performance and evaluation report described in 24 CFR part 91 as well as Federal Financial Report SF-425 or a financial report that meets the criteria in 24 CFR Part 570.489(d). These requirements must:

- Be sufficiently specific to ensure that funds received under this subpart are used in compliance with all applicable statutory and regulatory provisions and the terms and conditions of the award
- Ensure that funds received under this subpart are only spent on reasonable and necessary costs of operating programs under this subpart
- Ensure that funds received under this subpart are not used for general expenses required to carry out other responsibilities of state and local governments

HCD may satisfy this requirement by:

- Using fiscal and administrative requirements applicable to the use of its own funds.
- Adopting new fiscal and administrative requirements.
- Applying the provisions in 2 CFR Part 200.

If opting to satisfy this requirement for fiscal controls and administrative procedures by applying the provisions of 2 CFR Part 200, HCD must comply with all requirements therein. Additionally, HCD must ensure that recipients of the state's CDBG-DR funds comply with 2 CFR Part 200.

Concurrent with the financial report is a final Quarterly Progress Report (QPR) as well as an update of all transactional data in DRGR. If an acceptable report is not submitted, an audit of the grant activities may be conducted by HUD.

Once a review has been completed by HUD, the HUD field office prepares a closeout agreement. The grant is considered closed on the date that the appropriate HUD official executes the closeout agreement. Any unused grant funds are recaptured by HUD as a course of the closeout process.

Note: Grants cannot be closed out if there are open monitoring reports associated with the HUD grant agreement; all monitoring findings, concerns and requirements must be received and approved by HCD, and HCD must also receive a Clearance Letter stating the monitoring has been completed.

4. Appendix A: Map of MID and Disaster Impacted Areas