

# MILWAUKEE COUNTY



## Housing Division

### CDBG and HOME Sub-recipient Compliance Manual

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# 1. Introduction

Since the 1980s, Milwaukee County has been designated an “Urban County” and has enjoyed being the recipient of Community Development Block Grant (CDBG). Milwaukee County is also part of HOME Consortium with the City of West Allis and the City of Wauwatosa participating in HOME Investment Partnership (HOME) since 1990. Milwaukee County uses these funds to enhance the community and improve the quality of life for all Milwaukee County residents within the boundaries of the Urban County, based on the goals adopted in the County's Five Year Consolidated Plan, as approved by the U.S. Department of Housing and Urban Development (HUD). Low to Moderate Income (LMI) residents residing in the 16 municipalities that comprise the Milwaukee County CDBG jurisdiction have received assistance through the use of CDBG and HOME funds.

## 1.1 Purpose

The purpose of this manual is to provide management support to CDBG and HOME sub-recipients, while ensuring that all sub-recipients adhere to Federal and Milwaukee County grant rules. This manual is designed to help sub-recipient agencies understand the requirements that apply to the use of federal funds for the delivery of CDBG and HOME programs and activities. It is a *supplement* to applicable regulations, standards, and policies. The basic program regulations governing management and financial systems for the CDBG and HOME programs are contained in the Code of Federal Regulations Title 24 (24 CFR) and the various OMB Circulars referenced in this manual.

## 1.2 CDBG Program

### **Community Development Block Grant Program**

In 1974, the U.S Congress established the Community Development Block Grant Program through the enactment of the Federal Housing and Community Development Act. The program was created to enhance and maintain viable urban communities. The program gives communities an avenue to address a wide range of issues. Activities undertaken must accomplish at least one of three goals for low-to-moderate income individuals; 1) provide decent housing, 2) provide suitable living environments, and/or 3) expand economic activities.

#### **CDBG Eligible Activities:**

- Acquisition of real property for an eligible use.
- Acquisition, construction, and rehabilitation of public facilities.
- Demolition and clearance of deteriorated buildings.
- Community services for low-to-moderate income households.
- Removal of barriers that restrict the mobility of disabled persons.
- Rehabilitation of housing for low-to-moderate income households.

Milwaukee County CDBG and HOME Sub-recipient Compliance Manual and additional information on the CDBG program can be found on line at

<http://county.milwaukee.gov/HealthampHumanServic7753/HousingDivision/Programs/CDBG-Program/htm>.

## 1.3 HOME Program

The HOME Investment Partnership Program was created in 1990 through the Cranston-Gonzalez Affordable Housing Act. The sole purpose of this program is to create affordable housing for low-income individuals. HOME activities undertaken must accomplish at least

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one of two goals for low-income individuals; 1) Provide decent housing and/or 2) provide suitable living environments.

However, unlike CDBG, the HOME program requires that the participating jurisdiction receiving the money have a matching requirement for each dollar awarded. The County of Milwaukee County's match requirement is 25%. Eligible activities include:

- Direct homebuyer assistance in the form of: 1) down payment costs, and 2) closing costs.
- Construction, rehabilitation and/or reconstruction of 1-4 family homes.
- Acquisition and/or rehabilitation costs of affordable rental housing.
- Tenant-based rental assistance.

Additional information on the HOME program can be found on line at

<http://www.hud.gov/offices/cpd/affordablehousing/programs/home/index.cfm>

## 1.4 Consolidated Plan

In support of use of CDBG and HOME funds by grantees, HUD requires development of a Consolidated Plan that provides a comprehensive strategic plan that encompasses affordable housing, adequate infrastructure, fair housing, enhancement of civic design, vigorous economic development combined with human development and a continuum of care for helping the homeless. All applications for CDBG funding from Milwaukee County must be consistent with the local priorities as established by the County's adopted Consolidated Plan. The most recent Consolidated Plan is available on line at <http://county.milwaukee.gov/HealthampHumanServic7753/HousingDivision/Programs/CDBG-Program/Planning.htm>.

## 2 Financial Management

24 CFR Part 84.21-28 as amended by 570.502, for non-profit agencies, 24 CFR Part 85.20 for governmental sub-recipients, and 24 CFR 92.508 state the financial management and reporting systems for CDBG and HOME grant recipients. These requirements have been established to make sure that sub-recipients have a financial management system that: 1) provides effective control over the accountability for all funds, property, and other assets, 2) ensures "reasonableness, allow-ability, and accountability" of costs and verify that expenses have not violated any federal restrictions or prohibitions, 3) permit the accurate, complete, and timely disclosure of financial results in accordance with reporting requirements of the grantee (County of Milwaukee County) or HUD, and 4) minimize the time elapsed between transfer of funds from the U.S. Treasury and disbursement to the sub-recipient.

### 2.1 Internal Controls

Internal controls include a combination of procedures, specified job responsibilities, qualified personnel, and records that together create accountability in an organization's financial system and safeguard its cash, property, and other assets. Such controls make sure that: 1) resources are used for authorized purposes and in a manner consistent with applicable laws, regulations, and policies, 2) resources are protected against waste, mismanagement, or loss and 3) reliable information on source, amount, and use of resources are secured up-to-date, and recorded.

Additionally, internal controls will ensure that no one individual has authority of an entire financial transaction. Specifically, that your organization has a separation of power for the following three responsibilities: 1) authorization to execute a transaction, 2) recording of the transaction, and 3) custody of assets involved in the transaction. This type of separation of

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responsibilities will create a system of checks and balances for grant and general organization expenditures.

Finally, it is important that your organization periodically reconcile your financial records to actual assets and liabilities which will safeguard resources as well as detect instances of fraud or misuse.

## 2.2 Accounting

Sub-recipients must have accounting records that adequately identify the sources and application of CDBG and HOME funds. Simply stated, your organization should have 1) a chart of accounts which includes general assets, liabilities, expenses, and revenue, 2) a cash receipts and disbursements journal, 3) a payroll journal, and 4) a general ledger.

For CDBG and HOME funds, records must contain reliable and up-to-date information. The information should at least include:

1. Federal grants received by the sub-recipient.
2. Current authorizations and obligations of CDBG and HOME funds.
3. Unobligated balances (funds remaining available for distribution).
4. Assets and liabilities.
5. Program Income (if any).

Actual outlays or expenditures, with a breakdown of 1) the grant program the funds were derived from and 2) "eligible activity" which clearly indicate use of program funds are for eligible activities.

## 2.3 Allowable Costs

All costs incurred as a part of CDBG or HOME financed activities must adhere to the following:

1. The expenditure must be necessary, reasonable, and directly related to the grant.
2. Authorized by Milwaukee County via the budget that was approved in the contractual agreement between the County and your organization.
3. Expenditure cannot be prohibited under OMB circulars A-87, A-133, and A-122, as applicable to your organization.

## 2.4 Financial Reporting

### **Financial Reporting**

Financial reporting prepared by the sub-recipient must be accurate, timely, current, and represent complete disclosure of the financial activity and status of CDBG and HOME grants. A sub-recipient must have the capacity to provide the County with at least the following:

1. Amount budgeted.
2. Reimbursements received to date.
3. Program income and other miscellaneous receipts in the current period and year to-date.
4. Actual expenditures/disbursements in the current period and cumulatively to-date, for both program income and regular CDBG and HOME grant funds.

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## 2.5 Governing Federal Regulations

### **Federal Regulations Governing Management and Financial Systems**

The below regulations are applicable to both Milwaukee County and all sub-recipients:

1. Administration, CDBG. (24 CFR 570.500 - 570.513) covers general responsibilities of CDBG grant administration, including uniform administrative requirements, provisions of sub-recipient agreements, program income, use of real property, record-keeping and reporting, and closeout procedures.
2. Cross-cutting Regulations, CDBG. (24 CFR 570.600 - 570.614) deals with other CDBG program requirements which intersect with HOME including civil rights, labor standards, environmental standards, flood insurance, relocation, displacement, acquisition, employment and contracting opportunities, lead-based paint, use of debarred, suspended or ineligible contractors, uniform administrative requirements and cost principles, conflicts of interest and the American Disabilities Act.
3. Administration, HOME. (24 CFR 92.500 - 92.509) explains general responsibilities of HOME grant administration including uniform administrative requirements, provisions of sub-recipient agreements, program income, use of real property, record-keeping and reporting, and closeout procedures.
4. Cross-cutting Regulations, HOME. (24 CFR 92.350 - 92.358) details other HOME program requirements including affirmative marketing, environmental standards, displacement, relocation and acquisition, labor standards, lead-based paint, and conflicts of interest.
5. Administrative requirements Cost Principals and Audit Requirements for Federal Awards are found in 2 CFR 200, new for 2015 replacing OMB Circulars. The threshold for conducting a single audit is now \$750,000.

## 3 Procurement

The federal government has set standards and procedures for procurement that are intended to ensure that supplies, equipment, construction and other services acquired in whole or part with federal funds are 1) obtained as efficiently and economically as possible and 2) procured in a manner that provides, to the maximum extent practical, open and free competition. All solicitations must clearly explain all the requirements that the bidder must fulfill in order for your sub-recipient to evaluate the bid. Goods and services solicitation must be clear and accurately describe the material, product or service to be procured.

Furthermore, the solicitation must not contain features which unduly restrict competition.

Examples of restricting competition include but are not limited to:

- Placing unreasonable qualifying requirements on firms.
- Requiring unnecessary experience and excessive bonding.
- Specifying only "brand name" products instead of allowing "an equal" product.
- Noncompetitive pricing practices between firms and affiliated companies.
- Noncompetitive awards to consultants on retainer contracts.

All awards must be made to the bidder whose bid is responsive to the solicitation and most advantageous to the sub-recipient. Any and all bids may be rejected when it is in the interest of the sub-recipient to do so. The sub-recipient must ensure that the award is only made to responsible contractors possessing the ability to perform successfully under the terms and conditions of the proposed procurement.

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### 3.1 Debarred Contractors

The Federal government and HUD maintain a list on their web site of contractors who have been barred from competing for federally funded contracts. Before awarding a bid, the sub-recipient must check the federal Excluded Parties List System's web site (<https://www.sam.gov/portal/public/SAM/>) to be sure that its contractor is not on the de-barred list. It is best to search by the DUNS number, make sure you have a DUNS number for each contractor and sub-contractor. **For any contractor on the de-barred list, the use of CDBG and HOME funds is prohibited.** Print the HUD web page that states that no record was found regarding your contractor and place it in your files.

### 3.2 General Purchasing

Purchases may be made with the use of CDBG and HOME funds. The purchase must be:

1. Required for the success of the program which you have been funded and
2. An allowable cost as determined within the contractual agreement between Milwaukee County and your sub-recipient.
3. All purchases must be accompanied by proper source documentation;
  - a. An invoice, and/or sales receipt and
  - b. Copies of checks or charge slips to verify that your sub-recipient paid for the items at hand. It is imperative that agencies keep a log of purchases charged to the grant. Sub-recipients should use the required Sub-recipient Summary Form, found in the "Appendices," to assist them in keeping a log of all purchases. Below are specific purchase cost requirements.

#### **SINGLE QUOTATION:**

- Single quotation shall only be used if a good or service is only available from one vendor or if a government agency is contracting with another government agency.

#### **INFORMAL QUOTES:**

***Less than \$100,000 for Non-profits, Government Entities must follow State Statute, which is more restrictive***

- Obtain a minimum of three (3) vendor quotes, either by fax, telephone or electronic mail.
- Ensure vendor information is listed on the requisition, including name, address, telephone number and fax number, and taxpayer identification number.
- Ensure that price quotes include all charges including any shipping, handling and/or inside delivery charges.

***Or***

- Unsealed bidding/request for quotes are used to obtain pricing information via facsimile, mail or electronic mail. A minimum of four (4) sources shall be solicited.
- If an "equal" product is not acceptable, a written justification must be provided and signed by the sub-recipient, stating why additional brands are not acceptable.

#### **FORMAL QUOTES**

***\$100,000 and above***

- The sub-recipient completes detailed specifications, terms, conditions and attachments.
- The sub-recipient will prepare the solicitation and forward it via mail, email or facsimile to a minimum of six (6) vendors, and will publish the solicitation in the local newspaper.
- Bids will be opened and tabulated by the sub-recipient at a designated time. The results documented, specifying the lowest responsible and responsive bidder.

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- The sub-recipient views the bid responses and recommends award to the appropriate bidder.
  - If an “equal” product is not acceptable, a written justification must be provided and signed by the sub-recipient, stating why additional brands are not acceptable.

### 3.3 Land and Building Purchases

If your grant is to purchase land or an existing building, there are certain notifications which must be made prior to making an offer. Contact the Housing and Program Manager at 414-278-4880 to discuss your project before starting. When property is purchased using federal funds, certain actions are required by Federal law to ensure that the seller is treated fairly. Proof that these actions were taken will be required before Milwaukee County can fund a proposed purchase.

#### **Vacant Property or Building:**

Sub-recipients may purchase property if, before the seller enters into the contract of sale, the sub-recipient informs the seller in writing of the following:

1. That the sub-recipient does not have the power of eminent domain and therefore will not acquire the property if negotiations fail to result in an amicable agreement; and
2. Of the sub-recipient's estimate of the fair market value of the property.

A full narrative appraisal is required and must be made available to the seller. The buyer must pay for a second full narrative appraisal if the buyer chooses to get a second appraisal. Whenever feasible, this information shall be provided before making the purchase offer. In those cases where there is an existing option or contract, the seller must be provided the opportunity to withdraw from the agreement after this information is provided. Additionally receipt of the letter must be documented. A return receipt from the post office will suffice.

#### **Non-Vacant Property or Buildings:**

If the land or building is not vacant, there are additional requirements which must be met at the time the owner is first approached about selling the property. **You must contact the Housing Division as early as possible to avoid time delays, additional expenses, and the possible loss of federal funds for your project.**

### 3.4 Contracting

Federal regulations make it very clear that a sub-recipient should make every effort to use local business firms and contract with small, minority-owned, and/or women-owned businesses in the procurement process.

Federal regulations have a goal that 20% of contracts must be allocated to Minority Business Enterprise (MBE) and 5% to Women Business Enterprise (WBE).

A sub-recipient must take affirmative steps to use small firms, minority-owned firms, women-owned firms, or labor surplus firms. Steps should include:

1. Incorporating such business in solicitation lists whenever they are potential sources. Contact Milwaukee County CBDP office at 278-5104 or <http://county.milwaukee.gov/cbdp> to request bidder lists by trades or specialty.
2. Ensuring that such businesses are solicited when identified as potential sources.
3. Dividing procurement requirements, when economically feasible, to permit maximum participation of such businesses.
4. Requiring prime contractors, when subcontracts are let, to take affirmative steps to select such firms.

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In conformance with Section 3 of the Housing and Community Development Act of 1968, to the greatest extent feasible;

- sub-recipients must award contracts for work to be performed to eligible business concerns located in or owned by residents of the target area.

This helps ensure that the employment and other economic opportunities generated by federal financial assistance for housing and community development programs shall, to the greatest feasible extent, be directed toward low and very low-income persons. Sub-recipients should note, however, that the desire to award contracts to local firms is not a legitimate excuse for avoiding an open and competitive bid process.

## 4 Insurance and Property Management

### 4.1 Insurance and Indemnification

Each sub-recipient must procure and maintain insurance for the duration of the contractual agreement between Milwaukee County and the sub-recipient. Insurance is required against claims for injuries to persons or damages to property which may arise from or in connection with the services performed or to be performed by sub-recipient, its agents, representatives, employees, volunteers, officers, director, or subcontractors.

- Each sub-recipient must provide adequate proof of insurance prior to signature of the contract for funding. **ALL INSURANCE REQUIREMENTS ARE STATED IN DETAIL AS AN ATTACHMENT TO THE SUB-RECIPIENT CONTRACT AND ARE SUBJECT TO APPROVAL BY MILWAUKEE COUNTY RISK MANAGEMENT.**

### 4.2 Property Management

When CDBG or HOME funds are used to acquire real property (e.g., land, buildings) or personal property (e.g., equipment, supplies, intangible property), federal regulations make the sub-recipient responsible for ensuring that

1. The property continues to be used for its intended (and approved) purpose,
2. That the sub-recipient keeps track of it and takes care of the property, and
3. That if the sub-recipient sells the property, the sub-recipient reimburses Milwaukee County for the share of the property's value according to the contractual obligation.

#### **Requirement**

For all equipment (e.g., computers, furniture, hardware)

1. Property records must be maintained that include a description of the equipment, a serial number or other identification number, the source of the equipment, who holds title, the acquisition date, the cost, the percentage of federal participation in the cost of the equipment, the date of disposal, and the sale price when the sub-recipient disposes of it.
2. A physical inventory of the equipment must be taken and the results reconciled with the property records at least every two years.
3. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft shall be investigated.
4. Adequate maintenance procedures must be developed to keep the property in good condition.
5. If the property is sold, proper sales procedures must be established to ensure the highest possible return. Items with a current per-unit fair market value of less than \$5,000 may be retained, sold, or disposed of with no further obligation to Milwaukee County. Items with a current fair market value exceeding \$5,000 may be retained or sold, and Milwaukee County shall have a right to receive a pro-rata share of the proceeds based on the share of the purchase price, which was paid from grant funds. Real property sales

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require reimbursement to the County if the affordability and/or national objective compliance period is not met. Each CDBG construction and HOME contract provides more specific details regarding repayment of obligations.

## 5 Project Specific Requirements

### 5.1 Construction

The Davis-Bacon Act states that contracts in excess of \$2,000 for construction, alterations, and/or repairs including printing and decorating that employ laborers and/or mechanics adhere to the federal fair labor and wage requirements as established by the act.

- Davis-Bacon does not, however, apply to rehabilitation or construction of residential structures containing less than 8 units for CDBG and less than 12 units for HOME.
- Davis-Bacon law applies to the entire project, no matter how small the CDBG contribution to it.
- HUD has a guidebook entitled, "*Davis-Bacon Labor Standards: A Contractor's Guide to Prevailing Wage Requirements for Federally-Assisted Construction Projects*" that further assists those sub-recipients involved in construction projects. The guide can be accessed at:

[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/administration/hudclips/guidebooks/4812LR](http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/guidebooks/4812LR)

#### **Exception to Davis-Bacon:**

Davis-Bacon does not apply if the grant **only** pays for architectural and engineering fees, land purchase, or site preparation. There is also an exception if the labor costs are a very small portion of the total project. *This exception may only be utilized by written approval from Milwaukee County.*

#### **Pre-Bid:**

Before a sub-recipient puts a project out for bid, the Housing Division must be contacted to learn exactly what will be required to comply with Davis-Bacon.

- A **Wage Determination Sheet** for your project is required to be attached to your bid package. State of Wisconsin has rates online.
- Bidders might need to increase their bids to account for the additional paperwork and the probable higher wages.

The Housing Division housing staff can assist you with this process.

#### **Pre-Construction:**

Prior to starting construction, the sub-recipient and the contractor must schedule a meeting with Housing Division housing staff to go over the Davis-Bacon requirements that must be met. Sub-recipients may have to pay monetary penalties because the contractor failed to follow the overtime rules or pay the required wages.

Additionally, activities involving housing construction, demolition, rehabilitation, and public construction – i.e., roads, sewers, community centers, etc. fall under Section 3 Requirements of the Housing and Urban Development Act of 1968, as stated in "3.4 Contracting" section of this manual.

#### **Construction Requirements:**

The sub-recipient must:

1. Ensure that the contractor maintains special federal time sheets; and

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2. Conduct written employee interviews to determine whether they are actually receiving the wages the contractor reports that he is paying.

Milwaukee County will not reimburse expenses without receiving and approving the weekly time sheets and employee interview forms.

#### **Other Federal Requirements.**

1. **Environmental.** No project funds will be reimbursed, and no costs can be incurred, until Milwaukee County has conducted an environmental review of the proposed project site as required under 24 CFR Part 58. The environmental review may result in a decision to proceed with, modify, or cancel the project. Fund approval may occur only upon satisfactory completion of environmental review. Sub-recipients may not undertake or commit any funds to physical or choice-limiting actions, including property acquisition, demolition, movement, rehabilitation, conversion, repair or construction prior to the environmental clearance. Any activity of such will be considered a breach of the contractual agreement between Milwaukee County and the sub-recipient.
2. **Real Property Acquisition/Relocation.** If the project is occupied at the time of project commitment, the sub-recipient will comply with the acquisition and relocation requirements of 49 CFR Part 24 and Wisconsin State Statute 32.
3. **Lead.** Housing projects and child-occupied facility must comply with Lead Based Paint Requirements as found in 24 CFR 35 and Wisconsin Administrative Code DHS 163.

## **5.2 HOME Funded**

As stated in the "Introduction" of the manual, 24 CFR Part 92 governs all activities using HOME funds. These rules tend to be more restrictive than CDBG funds, and therefore sub-recipients should pay careful attention to the requirements.

#### **Requirements including but not limited to the following:**

1. The HOME funds allocated to the project will be secured by a note and lien, and in the case of a rental project, a deed covenant as required by 24 CFR Part 92.
2. For owner-occupied housing units, all HOME assisted units must qualify as affordable housing, including documenting that the property is eligible, and will maintain compliance during the minimum compliance period. If the project also contains a rental unit assisted with HOME funds, the sub-recipient will ensure that occupancy complies with the requirements of 92.254(a)(6).
  - a. Designated units of this project will meet the affordability requirements as found in 24 CFR 92.252 (rental) or 92.254 (owner-occupied) as applicable.
3. The sub-recipient must comply with all non-discrimination requirements of 24 CFR 92.350. If the project consists of five (5) or more units, affirmative marketing procedures must be implemented. Such procedures are subject to approval of Milwaukee County.
4. The sub-recipient shall assure Compliance with Property Standards and Housing Quality Standards (HQS) under 24 CFR 92.251, Accessibility Standards under 24 CFR 92.251(a)(3) as applicable, and Lead Based Paint Requirements as found in 24 CFR 35 and Wisconsin Administrative Code DHS 163.

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5. If the project is to be owner-occupied, the sub-recipient must ensure that any notes or liens recorded for homebuyers shall be in compliance with 24 CFR 92.254. and must monitor each unit for principal residency (24 CFR 92.251(a)(3)) and recapture (24 CFR 92.254(a)(4)-(5)).
  6. If the property is to be sold through a lease-purchase agreement, the sub-recipient must receive prior approval from Milwaukee County to ensure compliance with 24 CFR 92.254(a)(7), as modified by the 1999 Appropriations Act, Section 599B.
  7. ***All HOME funds are subject to repayment, in the event the project does not meet the project requirements as stated here and within the contract.***
    - a. Sale of the property to another party may occur only with the approval of the County of Milwaukee County, and the purchaser shall assume all obligations set forth in 24 CFR 92. For owner-occupancy, the sub-recipient must lend HOME funds to the individual buyers in an amount sufficient to make the purchase affordable. Any HOME funds that reduce the price of the property below the fair market value of the property shall be secured by a HOME note and protective covenant; using the note and protective covenant 1) prescribed or approved by Milwaukee County and 2) consistent with the method of recapture identified in Milwaukee County's Consolidated Plan.
    - b. Prior to each closing, the sub-recipient must provide Milwaukee County with the estimated settlement statement, along with a reconciliation statement and the draft note and deed of trust. The reconciliation statement shall account for Milwaukee County's pro-ration of HOME funds to the individual unit, and identify those HOME funds that are to be lent to the buyer as "buyer subsidies" secured by the HOME note and lien, the pro-rated HOME development funds that are to be forgiven as "development subsidies," and the amount of developer fee or CHDO sales proceeds to be retained from settlement funds.
    - c. All net sales proceeds from the sale of units are considered to be HOME program income and each sub-recipient should refer to their contractual agreement for details on handling and tracking proceeds. Each sub-recipient should refer to their contractual agreement for further details on handling and tracking proceeds.

## 6 Record Keeping and Reporting

Maintenance of adequate documentation for CDBG and HOME funded activities are critical to the effectiveness and overall performance of a program. Adequate documentation includes knowing:

1. What information needs to be collected and why,
2. When that information should be collected (and how often),
3. How the information should be acquired, organized, and stored,
4. How the information should be reported, and
5. The required retention period for records.

Milwaukee County and HUD representatives have a right to access any pertinent sub-recipient records to make audits, examinations, excerpts, and transcripts.

**ALL SUB-RECIPIENTS MUST RETAIN CDBG AND HOME PROJECT RECORDS FOR FIVE (7) YEARS AFTER CONTRACT TERMINATION OR EXPIRATION OF THE PERIOD OF AFFORDIBILITY.**

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## 6.1 Jurisdictional Impact Requirements, CDBG

All (100%) persons assisted with CDBG funds must reside in the Milwaukee County CDBG jurisdiction. The Milwaukee County jurisdiction includes all municipalities in Milwaukee County, with the exception of the cities of Milwaukee, West Allis and Wauwatosa.

- Sub-recipient goals and projections must include LMI residents in the Milwaukee County jurisdiction.
- Sub-recipient reporting should only include the number of clients served that reside in the Milwaukee County jurisdiction.
- Sub-recipient reimbursement request will be processed only after sub-recipient provides sufficient documentation showing that only residents of the Milwaukee County CDBG jurisdiction have been served with CDBG funds.
- Sub-recipients not providing sufficient documentation regarding jurisdictional impact will have contract cancelled.

## 6.2 Income Eligibility Guidelines

**All persons assisted with CDBG or HOME funds must be low-to-moderate income unless clients have "Presumed Benefit" status.** In order to document eligibility, an Income Eligibility Form must be completed for each client or household, in accordance with 24 CFR 5.

Unless your clients are presumed by HUD to be low-income (see Note: Presumed Benefit, following), actual verification of the household income must also be provided. You will need to obtain some form of documentation concerning the income of all persons over 18 and living in the home. A statement that the client is eligible for the school lunch program is not sufficient, in the event that income source documentation cannot be obtained. Documentation of income must be obtained for each client prior to providing services from CDBG. Source documentation or third party verification of income must be done. The agency must look at the gross amount of income from all sources and add 2% of assets to the annual income. Income shall be projected forward for 12 months to determine annual income for purposes of the grant. If they were paid in cash, and no other documentation can be produced, the client must sign a form, under penalty of perjury, stating their income. The client should be made to understand that they are signing a legal document, and that they are certifying the truth of the information in the entire document.

CDBG/HOME Income Eligibility Certification forms are attached in the "Appendices" of this manual. Please make certain that none of the information we have requested is altered or deleted.

**Income must be verified at least every 12 months. Milwaukee County uses the 24 CFR Part 5 definition of income.**

Income includes gross wages (not net pay), social security payments before deductions, retirement, disability, alimony, child support, and unemployment, but not food stamps or lump sum payments such as insurance settlements. Occasional overtime is excluded, but regular overtime is included. Please see the Income Determination Worksheet in the "Appendices" of this manual. The income limits which your clients must meet are stated in your grant agreement and can be found at [www.hud.gov](http://www.hud.gov).

Presumed Benefit: Clients who are abused children, battered spouses, elderly persons (age 62 and up), severely disabled persons (see the CDBG/HOME Eligibility Certification Form Instructions for this definition), homeless persons, persons with AIDS, illiterate persons, or migrant farm workers are presumed by HUD to be low-income. If you provide service only to persons in these categories, you do not need to maintain income records.

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**This exclusion does not apply to recipients of HOME funds; income information must be obtained for all HOME clients. Refer to the Technical Guide for Determining Income for the HOME program published by HUD.**

## 6.3 CDBG Program National Objectives

In addition to being an Eligible Activity as described in Chapter 1, each CDBG assisted activity must meet one of the CDBG program's broad National Objectives. The sub-recipient is responsible for ensuring that the meeting of the National Objective is documented. It is therefore extremely important to determine at the outset whether or not a project or activity meets at least one of the National Objectives of the program. To begin, check to see if a proposed project meets one of these criteria:

1. Benefiting low and moderate income people.
2. Aiding in the prevention or elimination of slums or blight.

Unless a proposed project meets one of the objectives, it will not be considered for funding.

The following is a brief discussion of each National Objectives including definitions, criteria, examples, and records to be maintained by the sub-recipient to document meeting of the National Objective.

### 6.3.1 Criteria for Activities Benefiting Low/Moderate

CDBG applications must document how each funded activity will principally benefit low- and moderate-income (L/M) persons. L/M persons/households are those that are at or below 80% of Area Median Income (AMI). In addition, HUD requires that income information be provided by income levels as follows:

1. Extremely Low Income = 0 – 30% of AMI
2. Low Income = 31 - 50% of AMI
3. Moderate Income = 51 – 80% of AMI
4. Non-Low/Moderate income = 81% and above of AMI

AMI for Milwaukee County is based on the AMI for the Milwaukee/Waukesha/West Allis MSA as adjusted for family size. HUD updates the income limits annually and they are available online at <http://www.huduser.org/datasets/il.html>. Sub-recipients are responsible for ensuring that the most up to date income limits are used when documenting L/M benefit.

Because AMI changes annually, the beneficiaries' low and moderate income levels may also change. The sub-recipient must document the income levels of the potential beneficiaries of CDBG funding at the time of application submission to ensure that at least 51% of the beneficiaries' meet HUD guidelines except for area benefit. Updated income information will also be required at completion of successful funded projects.

Based on CDBG regulations, there are four categories for L/M benefit:

1. Area benefit activities
2. Limited clientele
3. L/M Housing
4. L/M Job creation or retention

#### **Area Benefit Activities:**

To be CDBG eligible as an area benefit, you must document at least 51% of the residents in the service area are L/M persons. Examples of area benefit activities include street improvements, water and sewer lines, neighborhood facilities, and façade improvements in neighborhood commercial districts. It is important to clearly establish and document the proposed project's service area.

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The first and very important step is to clearly determine the boundaries of the proposed service area and the population to be served. Will your project benefit all residents of a community, district, or service area? Examples: sewer or water system improvements, community center construction, or fire station renovation.

- If **YES**, then it is an Area Benefit activity. Follow the Area Benefit requirements below.
- If **NO**, then follow the Direct Benefit requirements on the following pages.

If your project is close to the descriptions provided but you are still unsure whether it principally benefits L/M or if it is area benefit or direct benefit, contact the Housing Division CDBG staff to discuss your project, confirm eligibility and determine specific documentation requirements.

**Records to be maintained:**

There are two ways to document Area Benefit:

1. American Community Survey Data (ACS),
2. CDBG income survey.

**ACS Data** - When the service area is the Census Tract Block Group boundaries: Appendix 10 lists the Census Tract (CT) Block Groups (BG) with 42.81% or greater L/M population. If the CT BG is not on the list, then an income survey must be conducted. <http://www.census.gov/acs/www/>

Required application documentation when using HUD's Census data:

- List the census tract/block groups for the service area and the L/M percentages from HUD's data;
- Provide a map of the service area demonstrating the correlation between the service area boundaries and the census boundaries.

**CDBG Income Survey** - when the service area is a portion of, overlaps, extends beyond or is not in the CT BG boundaries an income survey must be conducted. Contact the CDBG Coordinator at the Housing Division to discuss survey procedures. Since some projects for smaller service areas can be considered as a benefit to the entire community or system, contact the Housing Division CDBG staff to discuss the project before conducting an income survey.

Required application documentation when using Income Survey data:

1. Complete the Income Survey Worksheet;
2. Provide a sample of the survey tool, tallying the number of responses by household size;
3. Submit a written description of the survey process, describing how the survey universe was defined and efforts to ensure randomness.

**Limited Clientele:**

These activities directly target services to lower income persons or benefit a limited number or specific group of people as long as at least 51% of those served are L/M persons (rather than everyone in an area). Examples include: construction of a senior center; public services for the homeless; meals on wheels for the elderly; and construction of job training facilities for the handicapped. An activity can provide a direct benefit in any of the following ways:

**Records to be maintained:**

1. Exclusively benefit a clientele who are presumed by HUD to be principally L/M persons. These "presumed benefit" special groups include:
  - Abused children

- Battered spouses
- Illiterate persons
- Elderly persons
- Homeless persons
- Migrant farmworkers
- Severely disabled adults (meeting Census' definition)
- Persons living with the disease AIDS

If an activity is targeting persons belonging to one of the above HUD-defined special groups, it can be presumed, without requiring a survey or income verification, that the activity will be providing a 51% benefit to L/M persons. Using this special group presumed benefit **does not apply** to housing or job creation projects, which must meet the respective L/M Housing and LMI Jobs criteria.

OR

2. Information on family size and income is available and shows at least 51% of the activity's clientele meet and will continue to meet the L/M income criteria. Not applicable to hospitals or other facilities open to the general public.

OR

3. Income eligibility requirements of the proposed program limit the activity to L/M persons only.

OR

4. Be of such nature and location that it may reasonably be concluded that the activity's clientele will primarily be L/M persons.

**Required application documentation for Limited Clientele activities:**

1. Describe how the project exclusively benefits a "presumed benefit" special group, or describe the process for income qualifying households that will result in the project principally benefiting L/M persons;
2. Describe the process for income qualifying households;
3. If an income standard other than L/M limits is used, show how the other income standard falls within the L/M limits;
4. Breakdown the total number of persons to benefit by those at the very low (30%), low (50%) and moderate (80%) income levels.

**L/M Housing:**

An activity carried out for the purpose of providing or improving permanent residential structures which, upon completion, will be principally occupied by low and moderate-income households. Examples include: property acquisition or rehabilitation of property for permanent housing; conversion of non-residential structures into permanent housing; and new housing construction.

The activity must meet the following qualifying criteria:

1. One-unit structures must be occupied by low- and moderate-income households.
2. Two-unit structures must have at least one unit occupied by a low- and moderate-income household.
3. Structures containing more than two units must have at least 51 percent of the units occupied by low- and moderate-income households.
4. Rental buildings under common ownership and management that are located on the same or contiguous properties may be considered as a single structure.

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5. For rental housing, occupancy by low- and moderate-income households must be at affordable rents, consistent with standards adopted and publicized by the CDBG grantee for determining “affordable rent” levels.
  6. Assistance to reduce the development cost of the new construction of non-elderly, multi-unit rental structures may qualify if: a) at least 20% of the units are occupied by low- and moderate-income households; b) where low- and moderate-income occupancy is between 20% and 51%, the CDBG proportion of the total development costs (including the costs of all work from design and engineering through completion of the physical improvements and, if integral to the project, the costs of acquisition) is no greater than the proportion of units occupied by low- and moderate income households.

**Records to be maintained:**

1. Describe the process for income qualifying households and ensuring residency; **and**
2. Breakdown the total number of households to benefit by those at the very low (30%), low (50%) and moderate (80%) income levels; **and**
3. A description indicating the total number of dwelling units in each multiunit structure assisted and the number of those units that will be occupied by low- and moderate-income households after assistance; **and**
4. The total cost of the activity, including both CDBG and non-CDBG funds; **and**
5. For each unit occupied by a low- and moderate-income household, the size, ethnicity, and income of the household; **and**
6. For each property acquired on which there are no structures, evidence of commitments ensuring that the above criteria will be met when the structures are built; **and**
7. For rental housing only:
  - a) Rent charged (or to be charged) after assistance, for each dwelling unit in each structure assisted; **and**
  - b) Information as necessary to show the affordability of units occupied (or to be occupied) by low- and moderate-income households.

**L/M Jobs:**

Job creation activities directly result in the creation or retention of jobs, at least 51% of which, on a full-time equivalent (FTE) basis calculated cumulatively as all hours worked divided by 40 hours basis, are documented as held by L/M persons at the time CDBG assistance is provided.

Given the complexity of the CDBG requirements for job creation projects, contact the Housing Division CDBG staff for further guidance.

**Records to be maintained:**

When assistance is provided to a business, the Sub-recipient must have on file for monitoring by Milwaukee County or HUD a written agreement in which that business agrees:

1. To keep or create a specific number of jobs and identifies each such job by type and whether the job will be full- or part-time; **and**
2. A listing by job title of the permanent jobs to be created (identifying which are part-time, if any); **and**
3. A listing by job title of the permanent jobs filled and which jobs were *initially taken by* low- and moderate-income persons; **and**
4. The actions the business and the sub-recipient will take to ensure that at least 51% of the jobs created or retained will benefit L/M income persons; **and**
5. A description of the recruitment and hiring process; **and**
6. The businesses Dun & Bradstreet Data Universal Numbering System D-UN-S@ number; **and**
7. For each low- and moderate-income person hired, information on the size and annual income of the person's family prior to the time the person was hired for the job.

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The sub-recipient's program records also must document which jobs were actually created and retained, whether each such job was held by, taken by, or made available to a L/M income person, and the full-time equivalency status of each job. The information shall be provided to Milwaukee County or HUD on request.

1. With respect to jobs that will be held by L/M income persons, the records must show:
  - a) A listing by job title of the specific jobs to be created.
  - b) A listing by job title of the jobs filled.
  - c) The name and income status of the person who filled each position.
  - d) The full-time equivalency status of the jobs.
2. Where L/M income benefit is based on job retention, the files must also include the following documentation.
  - a) Otherwise lost. The specific evidence that the sub-recipient relied on in concluding that, in the absence of CDBG assistance, the jobs would be lost.
  - b) Held by: 1) A listing by job title of permanent jobs retained, those jobs known to be held by L/M income persons at the time CDBG assistance was provided, and the full-time equivalency status of each such job; and 2) Information on the family size and annual income of each such L/M income person.
  - c) Turnover jobs:
    - i. Identification of any of the retained jobs (other than those known to be held by L/M income persons) projected to become available to L/M income persons through turnover within two years of the time CDBG assistance was provided.
    - ii. The basis upon which the job was determined to be likely to turn over within two years following the CDBG assistance.
    - iii. The date the job actually turned over.
    - iv. The name and income status of the person who filled the vacancy.
    - v. Information on the family size and annual income of each such L/M income person hired.

### **6.3.2 Activities to Prevent or Eliminate Slum or Blight**

If the primary purpose of the project is to prevent or eliminate slum or blight, AND the project does not principally benefit low- and moderate-income persons, the project may address slum and blight. Contact the Housing Division CDBG staff to determine if your project is eligible as a Slum and Blight activity.

#### **Criteria for Activities to Prevent or Eliminate Slums or Blight:**

Activities that address the prevention or elimination of slums or blight may be classified on:

1. An Area Basis
2. A Spot Basis
3. An Urban Renewal Basis

#### **Prevention or Elimination of Slums or Blight on an Area Basis:**

In order to qualify under the National Objective of slums/blight on an **Area Basis**, an activity must meet **all** of the following criteria:

1. The area must be designated as a slum/blight area by Milwaukee County or by action of the municipality it is in and must meet the definition of a slum, blighted, deteriorated or deteriorating area under state or local law.
2. A substantial number of deteriorated or deteriorating buildings or public improvements must be located throughout the area.

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3. Documentation must be maintained by the Sub-recipient on the boundaries of the area and the conditions which qualified the area under this objective at the time of designation.
  4. The activity must address one of the conditions which contributed to the deterioration of the area.

Potentially eligible activities include assistance to commercial or industrial businesses, public facilities and improvements, and code enforcement provided the assistance is designed to address one or more of the specific conditions which qualified the area.

**Records to be maintained:**

1. The date of designation of the area and its boundaries; **and**
2. A description of the conditions which qualified the area at the time of its designation in sufficient detail to demonstrate how the area met the criteria for designation; **and**
3. A description of the activity showing how it addressed a condition which led to the decline of the area. Each residential rehabilitation activity must also be supported by documentation that shows;
  - How the building qualifies under the County’s definition of substandard.
  - A pre-rehabilitation inspection report describing the deficiencies in each structure to be rehabilitated.
  - Details and scope of the CDBG-assisted rehabilitation, by structure (including the information needed to show that any deficiencies making the building substandard were eliminated prior to less critical work being done.

**Prevention or Elimination of Slums or Blight on a Spot Basis:**

In order to qualify under the National Objective of prevention or elimination of slums or blight on a **Spot Basis**, the activity must meet the following criteria:

1. Be designed to eliminate specific conditions of blight or physical decay at a specific location not incorporated in a slum or blighted area; **and**
2. Be limited to acquisition, clearance, relocation, historic preservation or building rehabilitation to eliminate specific conditions detrimental to public health and safety.

Potentially eligible activities under the objective to prevent or eliminate slums or blight on a Spot Basis include the removal of faulty wiring or falling plaster, historic preservation of a public facility, and demolition of a vacant, deteriorated, (non-historic) abandoned building.

**Records to be maintained:**

1. A description of the specific condition of blight or physical decay treated; **and**
2. A description of the assisted activity showing that it falls under one of the activity types that are eligible to be carried out under this sub-category. For rehabilitation of a building carried out as Slums or Blight on a Spot Basis, a description for each assisted structure showing the specific conditions that posed a threat to public health and safety, and details of the scope of CDBG-assisted rehabilitation, indicating that it was limited to addressing a specific condition that posed such a threat.

**Elimination of Slums or Blight in an Urban Renewal Area:**

This category is intended to permit the redevelopment of areas in which activities were begun under funds received under the Federal Urban Renewal program (replaced by the CDBG Program).

**Records to be maintained:**

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1. A copy of the Urban Renewal Plan, including maps and supporting documentation, as in effect at the time of close-out of Federal financial assistance under the Housing Act of 1949, or financial settlement under Section 112 of the HCD Act; **and**
  2. A description of the assisted activity showing how it was needed to complete the plan for the area.

## 6.4 General File Management

The federal government requires that all sub-recipients keep records for all CDBG and HOME beneficiaries. **If the expenditures incurred with federal funds are not adequately documented, the sub-recipient will be required to refund to Milwaukee County an amount of money equal to all undocumented expenditures.** To help you keep good records, the following information is provided:

### **General Required File Documentation**

#### **Sub-recipient Files must contain the following:**

Application for funding submitted to Milwaukee County during the Consolidated Grant Process;

1. Grant agreement;
2. Correspondence with Milwaukee County;
3. Documentation of expenditures;
4. Records demonstrating that each activity undertaken meets the National Objective of the CDBG program of benefiting low/moderate income persons; and
5. Current audit.

#### **Beneficiary Files must contain the following:**

1. File for each person or family receiving assistance;
2. Documentation of eligibility using Milwaukee County designated form
  - a) CDBG/HOME Eligibility Certification Form, or
  - b) CDBG/HOME Eligibility Certification Form-No proof of income;
3. Complete documentation of assistance provided; and
4. Full description of activity undertaken.

### 6.4.1 Construction Specific

For construction projects, your files should contain the following additional information:

1. Bid Documents including: Documentation of contractor solicitation and selection;
2. Wage Determination;
3. Weekly payroll sheets;
4. Payroll Deduction Authorizations;
5. Employee Field Interviews;
6. Progress and final inspections including documentation of the sub-recipient's periodic on-site inspections and final inspection;
7. Approved change orders;
8. All correspondence related to construction;
9. Records of disbursements made for completed and approved work. This documentation should ensure that data in the project file agrees with financial records.

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## 6.4.2 Land and Building

As evident in Chapter 3 of this manual, Land and Building Purchases require extensive documentation. Records which must be kept:

1. Identification of property and property owner(s).
2. State approved relocation plan.
3. Evidence that owner was informed on a timely basis about the acquisition and his/her rights (copy of letter and acknowledgement of receipt).
4. Copy of each appraisal report or the explanation of the basis for your estimate of fair market value.
5. Copy of the written purchase offer and the date of delivery to the owner.
6. Copy of the purchase contract and document conveying the property including but not limited to: evidence of liens to secure loans.
7. Copy of closing statement identifying incidental expenses; evidence that owner received net proceeds due from sale including but not limited to:
  - a) Evidence of any owner contribution or private loan match; and/or
  - b) Underwriting costs.
7. Copy of any appeal or complaint filed and sub-recipient response.

## 6.5 Reporting

HUD requires Milwaukee County to report quarterly and annually regarding the use of HUD funds. Therefore, all sub-recipients are required to submit information quarterly and annually stating progress towards the use of CDBG and HOME funds.

### 6.5.1 Quarterly Reports

Sub-recipients must use the current "Milwaukee County CDBG Report" form as found in the "Appendices" of this manual to report quarterly and the "Sub-recipient Summary" form for final accomplishments. The "Milwaukee County CDBG/HOME Report" form must be submitted within fifteen (15) days of the end of each quarter. The form should be internally consistent with each other; i.e., if you showed 12 people served in the first quarter on Page 1, you should show 12 people on Page 2.

Additionally, a "Sub-recipient Summary" form must be submitted with the fourth quarter "Milwaukee County CDBG/HOME Report" form. This form should detail all program accomplishments. You must submit separate forms for each activity you are engaged in. For example, if you are using CDBG funds to repair your building, provide counseling services, and provide rent and utility assistance, you will need to submit three separate forms, one for each activity. All your clients would be included in the report for the building repairs, because all of them will benefit. Then, each client who receives counseling would be included in the forms for counseling services, and each client receiving rental assistance would be included on those forms. If the same client received both counseling and rental assistance, they would be included on both sets of forms.

### 6.5.2 HOME Annual Report

HUD requires that HOME grantees and sub-recipients maintain reports on any job completed with the assistance of HOME funds for five (5) years after the expiration of the period of affordability.

## 6.6 Audit Requirements

### Single Audit:

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In accordance with 2CFR 200, all agencies expending \$750,000 or more in federal funds must have an audit conducted, as detailed in the circular, at least nine (9) months after the close of the sub-recipient fiscal year. HUD requires Milwaukee County to obtain the audit at or before the nine month period ends. All agencies that fall within this category should submit their audits to the Housing Division within the aforementioned time period.

**Other Audit Requirements:**

If sub-recipients expend less than \$750,000 a year in federal awards, it is exempt from the audit requirements for that year; however, records must be available for review or audit by appropriate officials of Milwaukee County, HUD, and the Governmental Accountability Office.

The audit must comply in all respects with the generally accepted auditing standards of the American Institute of Certified Public Accountants, the standards for financial and compliance audits contained in the standards for Audit of Governmental Organizations, programs, activities and functions issued by the U.S. General Accounting Office. Two copies of each audit report shall be transmitted to the County's Finance Department. Sub-recipients shall advise the County's Finance Department in writing regarding who will conduct their audit.

Sub-recipients are required to maintain books, records, and documents in accordance with generally accepted accounting procedures and practices that sufficiently and properly reflect all revenues and expenditures of funds provided by Milwaukee County under their contracts.

## 7 Reimbursements

### 7.1 Request for Reimbursement

CDBG and HOME funds are available to sub-recipients on a reimbursement basis only based on documentation of incurring the expense and payment of the expense. Milwaukee County will reimburse funds based upon information submitted by the sub-recipient.

- Any expenditures occurring after the effective date of the contractual agreement between Milwaukee County and the sub-recipient are eligible for reimbursement.
- Expenditures must be consistent with the approved budget as stated in the contractual agreement between Milwaukee County and the sub-recipient.
- Only eligible expenses will be reimbursed.

Payments will be adjusted by Milwaukee County in accordance with program income balances available in sub-recipient accounts, if applicable. In order to ensure accurate billing and fund management sub-recipients should keep track of the following information for activities funded:

1. Funds budgeted.
2. Funds received in County of Milwaukee County.
3. Reimbursements to-date.
4. Funds obligated in the most recent period and to-date.
5. Funds expended in the most recent period and to-date.
6. Cash on hand (including program income identified as such), *if applicable*.
7. Previous reimbursements requested but not yet received, *if applicable*.

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Sub-recipients should follow Milwaukee County reimbursement procedures (*see below*) to ensure timely expenditure reimbursements. All requests for final reimbursements must be submitted to the Housing Division within 15 days after the last date of the contract.

## 7.2 Reimbursement Procedures

To request reimbursement:

1. The "Reimbursement Request" form must be completed and signed by either the Executive Director or another authorized personnel.
2. Provide original invoices for all expenditures to be reimbursed.
3. Payment receipts, copies of checks, and/or all documentation proving that payment has been made prior to requesting reimbursement.
4. For salary reimbursement, time sheets must include total time worked and a breakdown of funding sources covering the salary and benefits associated.

All reimbursements will be made within thirty (30) days of receipt of the request, if proper documentation has been submitted. Please be advised that Milwaukee County will not provide reimbursements if quarterly reports have not been submitted within the time limits stated in the contractual agreement between Milwaukee County and the sub-recipient.

**ALL REQUESTS FOR FINAL REIMBURSEMENT MUST BE SUBMITTED TO MILWAUKEE COUNTY WITHIN 15 DAYS AFTER THE LAST DATE OF THE CONTRACT.**

## 8 Contract Modifications

1. Contract amendments may occur at any time, provided that such amendments make specific reference to the original contractual agreement between Milwaukee County and the sub-recipient; and
2. Are executed in writing, signed by authorized representative of both organizations.

Milwaukee County may, in its discretion, amend contracts to conform with Federal, State, or local guidelines, policies, and available funding amounts, or for other reasons. If such amendments result in a change in the funding or the scope of services, such modifications will be incorporated only by written amendment and will not become effective until signed by both Milwaukee County and the sub-recipient.

Any request for transfer of funds among the contract budget categories submitted by the sub-recipient will require written approval from Milwaukee County, before the transfer can be effective.

## 9 Monitoring

HUD requires monitoring of sub-recipient agencies on an annual basis. Monitoring is an ongoing process of reviewing performance using sub-recipient data to make judgments about sub-recipient performance, and to assist in improving that performance. The contract compliance monitoring performed by Housing Division CDBG staff is different from an annual audit. Monitoring is not an audit of the sub-recipient, but rather is focused on the "program" that is CDBG funded. To meet HUD requirements, Milwaukee County may conduct an on-site monitoring visit, or in certain instances, Milwaukee County may conduct a "desk-top" monitoring visit, whereby the sub-recipient is not visited, and their grant is monitored only by review of the information in Milwaukee County files.

### **Program Monitoring Goals:**

1. To review sub-recipient agencies to determine if services are being delivered in accordance with contract requirements as to type of services and number of units of service.

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2. To review records of sub-recipient agencies to determine if systems are in place to properly document the provision of services, client eligibility, and compliance with any other contract requirements.

**Fiscal Monitoring Goals:**

1. To review sub-recipient agencies to determine if expenditures of allocated funds are being made in accordance with contract requirements.
2. To review records of sub-recipient agencies to determine if systems are in place to properly document financial transactions, the use of allocated funds, use of program income, and any other contract requirements.

Program and fiscal monitoring may or may not be scheduled concurrently. In some cases it may be necessary to perform a follow up monitoring visit. Program and fiscal monitoring may or may not be scheduled concurrently. In some cases it may be necessary to perform a follow up monitoring visit.

## 9.1 Program Monitoring Process

Housing Division CDBG staff will contact the sub-recipient to arrange for a monitoring visit. The sub-recipient will be informed regarding the initial records to be reviewed. These records should be ready for review upon the monitor's arrival and available at the working space set up for the monitor.

### 9.1.1 Entrance Conference

Monitors meet with sub-recipient director to answer any questions regarding the monitoring process and are introduced to appropriate staff to begin work.

1. Meet staff responsible for the intake process, preparation for reports of units of service, and direct service providers.
2. Review records selected for monitoring and discuss record keeping methods with staff who maintain them. Copies of certain documents and records may be made for purposes of preparing the report. Records which will be reviewed by the monitor include but are not limited to:
  - a) Units of service reports sent to the County for the period under review.
  - b) Daily logs, time sheets, or other documents used to derive the number of units reported.
  - c) A list of clients served during the contract period must be provided to the monitor.

A sample of client records, drawn from this list, will be requested after review of the unit tallies. These client records should include eligibility documentation and records of services provided.

### 9.1.2 Review of Records

Sub-recipients are required to submit the ethnicity and units of service reports on a quarterly basis.

1. The monitor will check the sub-recipient records against Milwaukee County records regarding these reports for the following:
  - a) Determine if amounts in sub-recipient records reported for each quarter match amounts noted in Milwaukee County records.
  - b) Determine if reports are presented in a timely manner (by the date specified in the contract).
  - c) Determine if reports are completed in a satisfactory manner.

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- d) Determine if the quantity of units provided is roughly proportionate to the amount of the allocation expended.
  - e) Determine if the sub-recipient is significantly behind in the provision of units.
2. The monitor will review documents used by the sub-recipient to derive the number of units reported. This includes but is not limited to:
    - a) Determine the method used to distinguish CDBG clients from clients not billed to the CDBG contract. Determine if this method is usable and satisfactory.
    - b) Determine whether the number of units reported in sample months matches the number in the backup documents.
    - c) Determine if units are in keeping with the contract definition.
    - d) If units are differentiated between types, determine that only units of the types listed in the contract are billed for CDBG clients.
    - e) Develop a list of client files to be reviewed from the sample months, listing client number, client name, date of service, number of units served and type of service.
    - f) Present list to staff and allow a reasonable length of time for client files to be pulled for review.
  3. The monitor will review client files for:
    - a) Documentation of eligibility which is dated within twelve months of the sample service date:
      - Documentation of residence within the Milwaukee County limits.
      - Documentation of income equal to or lower than 80% of the median income for the Milwaukee-Waukesha/West Allis MSA as adjusted for family size HUD updates the income limits annually and they are available online at <http://www.huduser.org/datasets/il.html>. Applicants are responsible for ensuring that the most up to date income limits are used when documenting L/M benefit.
    - b) Documentation of the provision of services which meet the terms of the contract.
    - c) Determine if date of service and type of service provided which was taken from the tally log is also recorded in the client file and appears to be reasonable:
      - Review complete file for each client determining whether services being provided are in accordance with the contract, whether client is in contract's target population (such as client who is documented as homeless being visited at home); and
      - Where applicable, determine if client notes are dated, reflect the units provided, are signed by the caseworker, complete and informative as to the client's progress.
  4. Determine if files are complete and maintained in an orderly fashion.
  5. Obtain blank copies of intake and other pertinent documents used by sub-recipient.

### 9.1.3 Exit Conference

The monitor will meet with the sub-recipient director to discuss results of monitoring. The director may invite staff and/or board members as he/she deems appropriate.

1. Discuss findings, if any, and methods of correcting each individual deficiency.
2. Discuss concerns, if any, and methods of correcting concerns.
3. Discuss any observations made regarding the sub-recipient and offer technical assistance where applicable.
4. Answer any questions sub-recipient director or staff may have.

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## 9.2 Fiscal Monitoring Process

Housing Division staff monitoring will contact the sub-recipient to arrange for monitoring. The sub-recipient will be informed as to the initial records to be reviewed. These records should be collected and available at the working space set up for the monitor, and should be in an understandable format. Alternatively, the monitor may conduct a desk-top review in Milwaukee County offices and may require the sub-recipient to submit documents to Milwaukee County.

### 9.2.1 Entrance Conference

Monitors may meet with or call the sub-recipient director to answer any questions regarding the monitoring process.

1. Meet staff responsible for preparing reimbursement requests, payroll, and maintaining accounting records.
2. Review records selected for monitoring and discuss record keeping methods with staff who maintain them. Copies of certain documents and records may be made for purposes of preparing the report. Records to be reviewed by the monitor may include, but are not limited to:
  - Time and attendance reports (time sheets or time cards);
  - Payroll register;
  - Cash receipts journal;
  - Check disbursement journal or check register;
  - Bank statements, canceled checks, and/or direct deposit verification;
  - General ledgers;
  - Invoices and purchase orders;
  - Bank reconciliation; and/or
  - Any additional item (vouchers, documents, financial reports, records, etc.) needed to verify transactions.

### 9.2.2 Review of Records

#### **Review of Records:**

1. Salaries - The monitor will:
  - a) Review time and attendance reports for time billed to CDBG and verification of reports by supervisor.
  - b) Check to see if there is a clear audit trail between the time and attendance reports, payroll register, general ledger accounts and federal & state reports.
  - c) Test computation for gross amounts, deductions, and net payments.
  - d) Verify canceled checks for amounts and endorsements.
  - e) Verify employees' time from time cards to the time reported to CDBG on reimbursement requests.
  - f) Verify that the salary costs requested for reimbursements are allowable under the terms of the contract.
2. Property and Equipment - The monitor will:
  - a) Verify invoices and payments.
  - b) Verify purchase of equipment is in agreement with general ledger account and financial reports.
  - c) Ensure that purchased equipment is allowable.
  - d) Verify calculation of depreciation (if applicable).
  - e) Make physical inspection of equipment (if applicable).
3. Other Operating Expenses - The monitor will:

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- a) Examine invoices and related canceled checks.
  - b) Review invoices for approvals and account distribution.
  - c) Determine if the costs are allowable.
  - d) Verify sub-recipient's line item costs to amounts requested for reimbursement.
  - e) Verify that amounts requested for reimbursement agree with posting to general ledger accounts.
  - f) Select insurance invoices to verify that the amounts requested for reimbursement apply only to Community Development employees.
4. Revenue - The monitor will:
    - a) Verify amounts disbursed by Milwaukee County to reconcile with funds received by the sub-recipient.
    - b) Verify amounts and use of any program income or CHDO proceeds received.
  5. Overall Accounting Review - The monitor will:
    - a) Review the process used to record the various transactions and determine if it is effective.
    - b) Review the actual transactions and their supporting documentation, determining eligible reimbursement expenses. In order for an expenditure to be considered eligible for reimbursement, the following requirements must be met:
      - The expenditure must be for the current funding period;
      - It must be an expenditure related to CDBG activity; and
      - It must be an expenditure permitted by the contract.
    - c) Review the overall sub-recipient performance to determine if it is within compliance according to the contractual terms and conditions.
    - d) Determine if the prior year's monitoring findings have been corrected and are not being repeated.

### 9.2.3 Exit Conference

The monitor will call or meet with the sub-recipient director to discuss results of monitoring. The Director may invite staff and/or board members as he/she deems appropriate. The following will be discussed:

1. Discuss findings, if any, and methods of correcting each individual deficiency.
2. Discuss concerns, if any, and methods of correcting concerns.
3. Discuss any observations made regarding the sub-recipient, offer technical assistance where applicable.
4. Answer any questions director or staff may have.

## 9.3 Monitoring Reports and Appeals

Within thirty (30) days after the completion of the monitoring visit or desk-top review, a written report of the results of the monitoring visit will be forwarded to the sub-recipient. If the program and fiscal monitoring were performed concurrently, the reports for both will be combined under a single cover letter.

### 9.3.1 Monitoring Report

The monitoring report contains:

1. A detailed list of areas reviewed.
2. A detailed list of findings, if any.
3. A recommendation will accompany each finding explaining how the deficiency can be corrected.
4. A detailed list of concerns, if any.

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5. Depending on the nature of the concern, a recommendation may be included on how to eliminate the concern.
  6. Observations, if any, made regarding the sub-recipient's operation.
  7. If findings are severe, the letter accompanying the report may place a hold on further reimbursements to the sub-recipient until the findings are cleared.

### **9.3.2 Response to Monitoring Report**

Within thirty (30) days after receipt of the monitoring report, the sub-recipient must submit a written response to the monitoring report. The response should be addressed to the Community Planning and Development Program c/o of the Housing Division. The response should include:

1. A response to each individual finding and concern, if applicable.
2. Copies of any documentation to back up the response to the findings (copies of corrected employee monthly time reports, etc).

### **9.3.3 Response to Sub-recipient Response**

Upon receipt of the sub-recipient's response to the monitoring report, the program and fiscal monitors will review the response to determine if the findings have been satisfied. A written response to the sub-recipient's response will be sent to the sub-recipient, to include the following:

1. Those findings which have been satisfied will be noted as closed. If all findings are closed, the sub-recipient's monitoring for the year under review is considered to be complete.
2. Findings which are not satisfied will remain open, and will require further response or action on the sub-recipient's part.
3. The sub-recipient will be given an adequate period of time to take any further action needed to correct the findings and respond in writing.
  - a) If these actions are satisfactory, the findings are noted as closed and the monitoring is considered to be complete.
  - b) If these actions are not satisfactory, further correspondence is required until such time as all findings are closed and the monitoring is concluded.
  - c) The close of the contract does not necessarily close the monitoring. Correspondence will continue until all findings are closed.

### **9.3.4 Appeals**

In the event that a sub-recipient and the monitor cannot come to an agreement on one or more findings of Milwaukee County's monitoring visit, an appeal may be made in writing to the Milwaukee County Housing Division. The appeal should state clearly the finding being appealed, and the basis for the appeal. HUD does not accept appeals of decisions by Milwaukee County regarding monitoring issues.

## **10 Appendices**

### **10.1 Supporting Documentation**

#### **Source Documentation**

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All accounting records must be supported by source documentation. Supporting documentation is important to keep for all CDBG and HOME expenditures.

Documentation must prove that expenditures charged to the grant are

1. Incurred during the effective period of the contractual agreement between Milwaukee County and your sub-recipient,
2. Were actually paid out (or properly accrued),
3. Expenditures were allowable, and
4. Expenditures were approved by a responsible official in your organization.

In general, source documentation must explain the basis of the costs incurred.

For example: With respect to staff time charged to the grant: Time sheets (signed by the employee and supervisor) explicitly stating the hours charged to the grant and attendance sheet ( were used) should be available at all times for Milwaukee County to verify time charged to CDBG or HOME grants is accurate.

With respect to cost of space and utilities: Space costs must be supported by rental or lease agreements. Utility costs should be supported by bills from the utility company. Such information should be available at all times for Milwaukee County to verify costs charged to CDBG or HOME grants are accurate.

With respect to supplies, documentation includes purchase orders or requisition forms, vendor invoices, documentation demonstrating that payment was actually made, and information regarding where supplies are being stored and for what approved cost objective(s) they are being used.

## 10.2 General Procurement Requirements

### **General Procurement Requirements:**

Federal procurement requirements are stated in 24 CFR 85. In general, standards set forth in 24 CFR Part 85 may be viewed as "safe harbor" for satisfying the federal requirements.

A sub-recipient must maintain records to detail the significant history of procurement. These records include but are not limited to

1. Files on the rationale for selecting the methods of procurement used,
2. Selection of contract type,
3. Contractor selection/rejection process, and
4. Basis for the cost or price of a contract.

Pre-Qualified lists of vendors/contractors, if used, must be current, developed through solicitation, include adequate numbers of qualified sources, and must allow entry of other firms to qualify at any time during the solicitation.

In an effort to eliminate unfair competitive advantage, a sub-recipient should exclude contractors that develop or draft specifications, requirements, statements of work, invitations for bids, and/or requests for proposals from competing for such procurement. A sub-recipient must ensure that awards are not made to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in federal assistance programs. The federal Excluded Parties List System's website is: <http://www.sam.gov/portal/public/sam/>

There must be written selection procedures for procurement transactions. Such procedures must ensure:

1. The purchase of unnecessary or duplicate items is avoided;

2. Whenever possible, use of Federal excess and surplus property or intergovernmental agreements for procurement or use of common goods and services should be considered;
3. All purchases (and contracts) are signed by your authorized sub-recipient official(s);
4. Items delivered and paid for are consistent with the purchase order and/or contract for goods and services;
5. Timely payment to vendors occurs once the order is delivered, inspected, accepted, and payment authorized;
6. A cost analysis is performed for every procurement action, including contract modifications and documentation to that effect is maintained in your files;
7. Profit or fee is negotiated separate from price where competition is lacking or whenever a cost analysis is performed; and
8. The list of provisions in 24 CFR 85.36(i) or 84.48, as applicable must be included in any contract.

Sub-recipients may not use "cost plus a percentage of cost: pricing for contracts. Additionally sub-recipients should use "time and material: type contracts only after a determination is made that no other contract is suitable and the contract includes a ceiling price that the contractor exceeds at its own risk.

Sub-recipients must have protest procedures in place to handle and resolve disputes relating to their procurement and in all instances report such disputes to Milwaukee County. There must be a documented system of contract administration for determining adequacy of contractor performance. A sub-recipient must have a written code of conduct governing employees, officers, or agents engaged in award or administrative contracts.

### 10.3 County of Milwaukee County Required Forms

Electronic versions of the forms can be obtained by calling the CDBG staff in the Housing Division or by checking the Milwaukee County CDBG website.

<http://county.milwaukee.gov/HealthampHumanServic7753/HousingDivision/Programs/CDBG-Program/Forms2.htm>

#### **Presumed Benefit Clients:**

If your contract states that your clients are "presumed benefit", then you do not have to collect income information for them. However, you must still fill out the income portion of the CDBG/HOME report. HUD has determined the income category to place them in as follows:

Abused children	0-30%
Battered spouses	30-50%
Severely disabled adults	30-50%
Homeless persons	0-30%
Illiterate adults	30-50%
Persons with AIDS	30-50%
Migrant farm workers	30-50%
Elderly	a) if assistance is to rehab a senior center, 50-80%, b) assistance of other services (not centered based) 30-50%

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If an activity serves a combination of these groups, estimate the number under each group and report those numbers under the appropriate income levels.

## CDBG Eligibility Certification Form Instructions

**CDBG Report Page 1** is intended to be a cumulative report, in which each quarter's clients are shown, and added to get a yearly total at the end of the year.

Persons or Households – Sub-recipients shall provide information on the number of persons assisted, except for those providing individual housing units. For example, a homeless provider would report the number of individuals providing housing and services, but a sub-recipient that builds new houses would report the number of households.

Race and Ethnicity – Sub-recipients shall report the ethnicity and race of each client who receives assistance based on HUD race categories listed on the form.

Please note that Hispanic is an ethnicity category within all races. You must categorize your clients not only by the race categories, but also by Hispanic ethnicity. Some Hispanic applicants will state that they are Hispanic, but refuse to select a race category. In that case, the staff person doing intake should mark on the form their best guess as to the race of the applicant.

Income – Sub-recipients shall provide a breakdown of the income category for their clients. (See HUD Income Limits in previous part). You must provide the number of clients in each income range for each quarter. The total under income must equal the total under ethnicity.

If your contract states that your clients are “presumed benefit”, see HUD Income Limits in previous part regarding how to report income.

Female Head of Household – Sub-recipients shall also report the number of households assisted in which the head-of-household is female.

## Milwaukee County Reimbursement Request Form

Reimbursement Request forms will be provided with the project Agreement and on the Milwaukee County CDBG/Housing web site. Failure to provide Milwaukee County with completed and accurate reports with your reimbursement request form will result in a delay in the subrecipient receiving payment.

<http://county.milwaukee.gov/HealthandHumanServices/7753/HousingDivision/Programs/CDBG-Program/Forms2.htm>

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## PERFORMANCE MEASUREMENT REPORT

### For public services, public facilities, and improvements

Of the persons assisted, enter the number that:

- Have new access to your service or facility. \_\_\_\_\_
- Have improved access to this service or facility \_\_\_\_\_
- Where activity was used to measurably improve quality  
Have access to a service or facility that is no longer substandard \_\_\_\_\_  
Total \_\_\_\_\_
- No. of beds created in overnight shelter or other emergency housing \_\_\_\_\_

### For housing construction and new homeowner programs

- Dwelling units qualified as Energy Star \_\_\_\_\_
- Handicap (Section 504) accessible units \_\_\_\_\_
- Households previously living in subsidized housing \_\_\_\_\_
- Units specifically designated for person with HIV/AIDS \_\_\_\_\_
  - o Of those, the number specifically for chronically homeless \_\_\_\_\_
- Units specifically designated for homeless \_\_\_\_\_
  - o Of those, the number specifically for chronically homeless \_\_\_\_\_

### For housing units rehabilitated or improved

- Number occupied by elderly \_\_\_\_\_
- Number brought from substandard to standard conditions \_\_\_\_\_
- Number qualified as Energy Star \_\_\_\_\_
- Number brought into compliance with lead paint rules \_\_\_\_\_
- Number made handicap accessible \_\_\_\_\_

If there are no accomplishments to report in a quarter, provide a narrative of activity, including why there are no accomplishments, plans for moving forward, and timetable for completion of the project.

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Calculation for Part 5 Annual Income, HOME

1. Name:
2. Date:

HOME Only	Limit	\$181,000.00
	Assessed Value	
	Senior mortgages	\$0.00
	Equity	\$0.00

HOUSEHOLD ASSETS

Asset Description	Current Cash Value	Actual Income from Assets
CHECKING		
SAVINGS		
RETIREMENT		

3. Total Cash Value of Assets:

4. Total Actual Income from Assets:

5. Estimated income from assets if line 3 is greater than \$5,000 (at 2% passbook rate) \$0.00

ANTICIPATED ANNUAL INCOME

Household Member	Wages/Salaries	Other Income
6. Totals	\$0.00	\$0.00

Income from Assets (greater of line 4 or 5 above)	\$0.00
Income from Wages 7 Other Income	\$0.00

TOTAL ANNUAL INCOME	\$0.00
Household Size	<input type="text"/>
2012 Annual Income Limit for Household Size	<input type="text"/>

Qualified?

Program Coordinator Signature \_\_\_\_\_

Date: \_\_\_\_\_