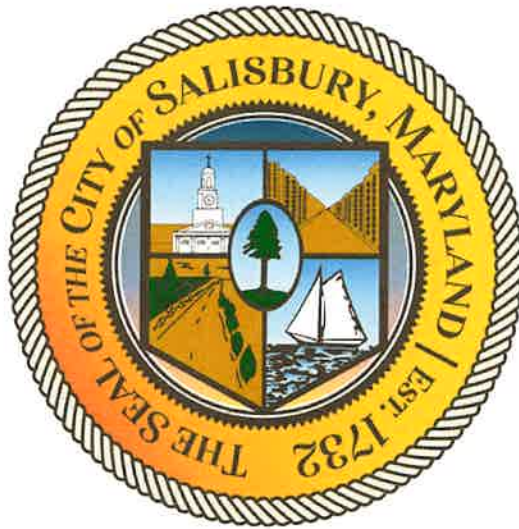


# **City of Salisbury**

## **Community Development Block Grant (CDBG) Program**

### **Program Guidelines**



**Housing & Community Development Department  
August 2018**

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### Attachments:

City of Salisbury – Monitoring Procedures

City of Salisbury – Owner-Occupied Housing Rehabilitation Program Guidelines

# **City of Salisbury**

## **Community Development Block Grant (CDBG) Program**

### **Section 1: Program Overview**

#### **CDBG Program Summary**

The CDBG Program is authorized by Title I of the Housing and Community Development Act of 1974, as amended, and provides annual grants on a formula basis to entitled metropolitan cities and urban counties to implement a wide variety of community and economic development activities directed toward neighborhood revitalization, economic development and the provision of improved community facilities and services. CDBG activities are initiated and developed at the local level based upon a community's perception of its local needs, priorities, and benefits to the community. Each entitlement grantee receiving CDBG funds is free to determine what activities it will fund as long as certain requirements are met. These requirements include that each activity is eligible and meets one of the following national objectives:

- benefit to persons of low and moderate income,
- aid in the prevention or elimination of slums and blight,
- meet other community development needs of a particular urgency.

#### **CDBG Program Purpose**

The purpose of the federal CDBG Program is to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for persons of low and moderate income.

#### **CDBG Program Funds and Fund Limitations**

No more than 20 percent of the grant (plus program income) can be spent for planning and administrative costs. No more than 15 percent of the grant (plus program income received during the preceding program year) can be spent for public service activities.

#### **CDBG Eligible Activities (24 CFR 570.201-206)**

Eligible activities may be carried out directly by the grantee, or through the use of contractors or sub-recipients, or through the use of Community Based Development Organizations (CBDOs) as defined at 24 CFR 570.204. A CBDO may carry out activities that are eligible and those that are otherwise ineligible, such as new housing construction, as provided by 24 CFR 570.204(b) and 570.207(b).

Eligible activities include:

- Acquisition / disposition and clearance of real property;
- Public improvements and facilities (e.g., senior citizens center, recreation center, day care center);
- Public services (e.g., child care, health care, job training / education programs, recreation programs, drug abuse counseling / treatment, and services for the homeless);
- Relocation payments / assistance;

- Rehabilitation of residential, commercial, and industrial or other nonprofit-owned, nonresidential buildings;
- Historic preservation;
- Lead-based paint hazard evaluation and reduction;
- Code enforcement;
- Assistance to micro-enterprises;
- Homeownership assistance;
- Urban renewal completion;
- Technical assistance to increase the capacity of public / private nonprofit organizations;
- Assistance to institutions of higher education;
- Program administration costs related to planning and execution of CDBG-funded activities; and
- Other selected activities.

### **CDBG Ineligible Activities**

Ineligible activities include (but are not limited to) buildings used for the general conduct of government, general local government expenses, political activities, and income payments.

### **CDBG Funded Projects**

The City may undertake some of these activities directly itself, others may be sponsored and carried out by other government agencies or non-profit community groups. Eligible non-profit community groups or organizations may apply for either a public service or a capital grant.

Applicants are called subrecipients. **Subrecipients must be a registered 501(c)(3) nonprofit organization AND MUST provide supporting documentation that confirms this status.**

Any capital project proposed on property not held by the subrecipient must include written approval by the property owner. Subrecipients requesting funds for community services must be either developing a new public service, or proposing a quantifiable increase in service for an existing program.

**All applicants must be aware that CDBG funds are awarded on a reimbursement basis only.** Grantees must have sufficient operating funds available to allow them to expend those funds on project expenses, provide the City with copies of paid invoices, cancelled checks, and any other requested documentation, and then wait to be reimbursed for those expenditures. This can sometimes be a lengthy process, so each applicant must be aware that this is a condition of the award.

## **Section 2: Meeting the National Objectives**

Before recommending any project for award with CDBG funding, the City of Salisbury, Housing & Community Development Department, as the recipient of the federal funds, must assure that the proposed project will meet a national objective and that it would be an eligible activity pursuant to HUD regulations, particularly 24 CFR, Part 570. If the City grants an award to support a project using CDBG funding, the subrecipient must maintain certain records that document eligibility.

This section focuses on the documentation requirements that demonstrate an activity meets a national objective of the CDBG program. As a grantee of the City of Salisbury using CDBG funding, you must understand the national objective under which your program qualifies and be responsible for providing backup documentation supporting that objective. To identify the national objective under which your program falls, please see Article II, Paragraph 1 of your Subrecipient Agreement.

To be eligible for CDBG funding, an activity must qualify as meeting one of three national objectives, which means that the activity must meet specific tests to support that the activity either:

- Benefits low and moderate-income persons (L/M),
- Prevents or eliminates slums or blight, or
- Meets other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community and other financial resources are not available to meet such needs.

Most of the activities that the City of Salisbury funds are activities that benefit low and moderate-income persons. A low and moderate-income person is defined as a member of a family having an income that is equal to or less than the Section 8 Housing Assistance Payments Program low-income limits established by HUD applicable to the size of the person's family. A low and moderate-income household is defined as a household in which the total income of all of the household members is equal to or less than the Section 8 Housing Assistance Payments Program low-income limit as established by HUD for an equivalent sized family.

There are four sub-categories within the category of activities that benefit low and moderate income:

- L/M Income Area Benefit
- L/M Income Limited Clientele
- L/M Income Housing
- L/M Income Jobs

Activities that are targeted within the context of this manual are primarily either L/M Income Area Benefit, L/M Income Limited Clientele or L/M Income Housing.

## **L/M Income Area Benefit**

### ***Definition***

An area benefit activity is an activity which is available to benefit all the residents of an area which is primarily residential. To qualify as addressing the national objective of benefit to L/M income persons on an area basis, an activity must meet the identified needs of L/M persons residing in an area where at least 51% of the residents are L/M income persons. The benefits of this type of activity are available to all residents in the area regardless of income.

### ***Records to be Maintained***

When an organization requests funding for a project that will serve an identified area, it is the responsibility of the subrecipient to define the boundaries of the service area and the basis for determining the boundaries and maintain this information on file. If the City of Salisbury subsequently determines that the proposed project is eligible under the area benefit sub-category, it is incumbent upon the City of Salisbury to maintain records to document the percentage of L/M income persons in the service area and the data used for determining that percentage

## **L/M Income Limited Clientele**

### ***Definition***

A limited clientele activity is an activity which, generally, provides benefits to a specific group of persons rather than everyone in an area. It may benefit particular persons without regard to the area in which they reside, or it may be an activity which provides benefits on an area basis but only to a specific group of persons who reside in the area. In either case, at least 51% of the beneficiaries of the activity must be L/M income persons.

To qualify under this sub-category, a limited clientele activity must meet one of the following tests:

The activity must exclusively benefit clientele who are presumed by HUD to be principally L/M income persons, including the following groups:

- Abused children
- Elderly persons
- Battered spouses
- Homeless persons
- Adults meeting Bureau of Census's definition of severely disabled persons
- Illiterate adults
- Persons living with AIDS
- Migrant farm workers

**-OR-**

The activity must benefit persons whose family income does not exceed the L/M income limit,

**-OR-**

The activity must be of such a nature and in such a location that it may reasonably be concluded that the activity's clientele will primarily be L/M income persons (as, for example, a day care center that is designed to serve residents of a public housing complex),

**-OR-**

The activity serves to remove material or architectural barriers to the mobility or accessibility of elderly persons or of adults meeting the Bureau of Census' Current Population Reports definition of "severely disabled", provided it is restricted, to the extent practicable, to the removal of such barriers by assisting:

- the reconstruction of a public facility or improvement, or portion thereof, that does not qualify under the L/M income area benefit criteria;
- the rehabilitation of a privately-owned non-residential building or
- improvement that does not qualify under the L/M income area benefit criteria or the L/M jobs criteria; or
- the rehabilitation of the common areas of a residential structure that contains more than one dwelling unit and that does not qualify under the L/M income housing criteria.

The census definition of "severely disabled" is as follows:

Persons are classified as having a severe disability if they (a) used a wheel-chair or had used another special aid for six months or longer; (b) are unable to perform one or more "functional activities" or need assistance with an ADL or IADL; (c) are prevented from working at a job or doing housework; or (d) have a selected condition including autism, cerebral palsy, Alzheimer's disease, senility or dementia, or mental retardation. Also, persons who are under 65 years of age and who are covered by Medicare or who receive SSA are considered to have a severe disability.

For purposes of this definition, the term "functional activities" includes seeing, hearing, having one's speech understood, lifting and carrying, walking up a flight of stairs and walking. An "ADL" is an "activity of daily living", which includes getting around inside the home, getting in or out of bed or a chair, bathing, dressing, eating or toileting. An "IADL" is an "instrumental activity of daily living" and includes going outside the home, keeping track of money or bills, preparing meals, doing light housework and using the telephone.

### ***Records to be Maintained***

For each activity, one of the following five types of documentation must be kept:

1. Documentation showing that the activity is designed to be used exclusively by a segment of the population presumed by HUD to be L/M income persons; or
2. Documentation describing how the nature and location of the activity establishes that it will be used predominantly by L/M income persons; or
3. Data showing the size and annual income of the family of each person receiving the benefit; or

4. Data showing that barriers to mobility or accessibility have been removed and how the barrier removal was restricted to the extent feasible to one of the particular cases authorized under this sub-category.

Activities which serve an area generally cannot qualify under the limited clientele criterion. For example, while a clinic only serving people with AIDS living in a particular area would clearly qualify as a limited clientele activity, a clinic providing CDBG-subsidized health services which are available to all persons in a neighborhood would not. It must instead meet the criteria for an area benefit activity. However, if the use of a clinic providing general health care were to be administered in a way such that the services are not available to everyone in the neighborhood, but only to L/M income persons, the activity would qualify under limited clientele.

## **L/M Income Housing**

### ***Definition***

An activity which assists in the acquisition, construction or improvement of permanent, residential structures may qualify as benefiting L/M income persons only to the extent that the housing is occupied by L/M persons. **(This includes activities directed towards homeownership assistance.)** Thus, this sub-category provides that for such activities to qualify under the L/M Income Benefit national objective, it must result in housing that will be occupied by L/M households upon completion. The housing can be either owner- or renter-occupied and can be either one-family or multi-family structures. When the housing is to be rented, in order for a dwelling unit to be considered to benefit an L/M income household, it must be occupied by the household at affordable rents.

It should be noted that L/M Income benefit status for this purpose is based on households, not persons. **This distinction is very important because there can be situations where the persons residing in an assisted housing unit are not all members of the same family.**

When the removal of existing barriers to accessibility or mobility is undertaken in one or more units within a multi-unit structure, it is considered to be rehabilitation of the unit/s and must qualify under the L/M Income Benefit national objective based on the housing criteria and not limited clientele. Removal of such barriers to the common areas of such structures would also qualify under the housing criteria, provided that the percent of units occupied by L/M households is sufficiently high. Where the occupancy test cannot be met under the housing sub-category, removal of barriers from common areas could qualify under the limited clientele sub-category.

CDBG funds may be used to pay, in whole or in part, for staff costs involved in providing services for the construction or rehabilitation of housing. When CDBG funds are so used, the activity qualifies under the L/M Income Housing sub-category provided that the requirements of 24 CFR 92.252 or 92.254 are met.

Assisting a household to enable it to acquire ownership of a home (homeownership) also qualifies under the L/M Income Housing sub-category.



## ***Records to be Maintained***

To demonstrate compliance, the following records must be maintained, as applicable:

- A copy of the written agreement with each landlord or developer receiving CDBG assistance, indicating the total number of dwelling units in each multi-unit structure assisted and the number of these units which will be occupied by L/M income households after assistance.
- Total cost of the activity, including both CDBG and non-CDBG funds.
- For each unit claimed to be occupied by a L/M income household, the size and combined income of the household.

For rental housing only:

- The rent charged (or to be charged) after assistance for each dwelling unit in each structure assisted; and
- Information, as necessary, to show the affordability of units occupied (or to be occupied) by L/M income households pursuant to criteria established and made public by the City.

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.

\*Where applicable, information showing that the housing units assisted, although located in different structures, are authorized to be considered to be located in a single structure under one of the special situations described above.

\*For housing services undertaken under the authority of §570.201(k) (activity delivery costs for HOME-assisted projects); evidence that the project/s or assistance meet the HOME program income-targeting requirements at 24 CFR 92.252 or 92.254.

For any type of housing activity, compliance with the L/M Income Benefit national objective is based on initial occupancy of the housing following completion of the CDBG-assisted work.

Note that the eligibility category of homeownership assistance at §570.201(n) contains within it the requirement that only L/M income households may be assisted. The effect of this eligibility constraint serves to prohibit the use of any other L/M national objective option that is less restrictive than might have otherwise been applied.

## Section 3: Application Process

Applications for CDBG projects will be accepted annually on a competitive basis (when an open funding round is held). The funding round will be announced in advance of program opening, and applicants will be given a minimum of 45 days to prepare their applications. The maximum amount an applicant may seek in any competitive round for CDBG funds will be \$200,000.

The applications will be evaluated in a three-step process: threshold review, project evaluation, and funding recommendations. Only complete applications that meet the threshold requirements set forth in these guidelines and have been submitted by the application deadline will be rated and ranked in any competitive round.

### 2. Threshold Review

Applications in the competitive process will be pre-screened by Salisbury CDBG program staff for compliance with minimum thresholds. At the completion of the threshold review, applicants whose proposed project applications are not complete or do not meet basic eligibility and threshold requirements will be notified by mail that the project review has been terminated. Each application must also meet the following minimum eligibility requirements:

- The proposed activities are eligible under Title I of the Housing and Community Development Act of 1974 as amended;
- The proposed project meets a national objective as required under 24 CFR Part 570;
- The project is located within the City of Salisbury corporate limits; and
- The applicant meets performance thresholds on prior CDBG grants, including timely drawdown of funds, submission of progress reports and resolution of monitoring issues.

### 3. Performance Thresholds

Expenditure of certain minimum percentages of previous grants must be met by the last Friday of the week preceding the deadline for submission of the application in the competitive process. This requirement will apply to all open Salisbury CDBG program grants. Exceptions will be made only under extenuating circumstances, particularly where funds are targeted for recapture by the City but no formal letter has been issued.

#### Start Date of Open Grant Agreement

#### Minimum % Required to be Expended

- |   |      |
|---|------|
| • 24 months (or more) prior to current application due date | 100% |
| • 18 to 23 months prior to current application due date     | 65%  |
| • 12 to 18 months prior to current application due date     | 25%  |
| • 0 to 11 months prior to current application due date      | 10%  |

Monitoring issues will be reviewed on a case-by-case basis, taking into consideration the significance of the finding(s) or concern(s), the corrective action(s) taken by the grantee to resolve the issue(s) and the timeliness of the grantee in responding.

#### 4. Project Evaluation

All applications that meet the threshold criteria will be rated and ranked competitively by the CDBG Review Committee which will be composed of volunteer community members, with the Grants Manager acting as the staff liaison. Applicants will be given the opportunity to make oral presentations on their project proposals to the review committee. Rating of the criteria will be based on a 150 point scale. Point ranges for each criterion will be established to gauge the extent to which the criterion is met. The following criteria/factors will be used in determining the number of points assigned.

<b>RANKING CRITERIA</b>	<b>MAXIMUM POINTS</b>
<b>PUBLIC PURPOSE</b> <ul style="list-style-type: none"><li>- Consistency with Local Plans (10)</li><li>- Severity of Need (30)</li><li>- Community Support (5)</li></ul>	<b>45 Points</b>
<b>PROJECT IMPACT</b> <ul style="list-style-type: none"><li>- Impact on Need (10)</li><li>- Benefit to LMI Households (15)</li></ul>	<b>25 Points</b>
<b>PROJECT MANAGEMENT</b> <ul style="list-style-type: none"><li>- Readiness (35)</li><li>- Accuracy of Costs (10)</li><li>- Applicant Capacity (10)</li></ul>	<b>55 Points</b>
<b>COMMITMENT / LEVERAGING</b> <ul style="list-style-type: none"><li>- Applicant Commitment (15)</li><li>- Leveraging (10)</li></ul>	<b>25 Points</b>

##### **Public Purpose (45 points maximum)**

Severity of Need (30 points maximum) The information in the application, the degree of distress and the examples provided will determine the number of points awarded. Indicators of distress may include the quality and quantity of existing facilities; the need for rehabilitation or replacement; and the condition, age, adequacy, or absence of facilities, services, housing, etc. Up to twenty (20) points will be awarded, if the project addresses an unmet need for new or additional services or facilities. Up to five (5) points will be awarded, if existing physical health and safety conditions are documented. Up to five (5) additional points will be given to projects that address imminent health and safety issues, such as lead paint abatement (in a unit with a documented case of lead poisoning), accessibility modifications for elderly or disabled residents, or emergency housing repair.

Community Support and Involvement (5 points maximum) Maximum points will be awarded based on the evidence of community support and involvement in the project, its development and implementation. Letters of support may be provided by any local interest or neighborhood group, local public agency or non-profit organization, and individual that may benefit from the project.

Consistency with Local Needs/Plans/Strategies (10 points maximum) Up to five (5) points will be awarded based on the degree to which the project fills a need that is specifically identified and is consistent with a local revitalization strategy and/or the Salisbury Consolidated Plan. Maximum consideration will be given to projects that are consistent with local plans and most effectively reuse existing buildings and infrastructure (up to 5 additional points).

### **Project Impact (25 points maximum)**

Impact on Need (10 points maximum) Points will be awarded based on the extent to which the project addresses the needs and alleviates the existing problems described by the applicant.

Benefit to Low- and Moderate-Income (LMI) Households (15 points maximum) Maximum points will be awarded to projects where there is a direct benefit to LMI households. Moderate points will be awarded to projects where an area wide benefit is provided to LMI households. No points will be given for slum and blight projects where there is no benefit to LMI households or where the benefit cannot be determined.

### **Project Management (55 points maximum)**

Readiness to Proceed (35 points maximum) Points will be awarded for the extent to which the project is ready to proceed and the reasonableness of the implementation schedule. The assessment is based on the relative progress of factors such as site control / easements, architectural design or preliminary engineering, other project finance or the development of rehabilitation guidelines. Thirty (30) points will be awarded to applicants that have completed preliminary design and/or engineering, can document that all financial resources have been committed, can complete the environmental review process within 60 days of the award date, or can otherwise demonstrate an immediate readiness to proceed. Twenty (20) points will be awarded to applicants that can complete the environmental review process and commence the project within 90 days of the award date. Ten (10) points will be awarded to applicants that can complete the environmental review process within 90 days and commence the project within 91-120 days of the award date. No points will be awarded, if the environmental review process cannot be completed within 90 days or the project is expected to begin beyond 120 days of the award date. In addition, up to five (5) points will be awarded based on the reasonableness of the projected implementation schedule.

Accuracy of Costs (10 points maximum) Maximum points will be awarded to applicants who best document that project costs have been carefully estimated. Cost estimates should reflect the applicability and impact of Davis-Bacon wage rates, and acquisition, relocation or replacement housing requirements. Examples of acceptable documentation include preliminary professional studies, appraisals, tax assessments, and wage rate determinations. No points will be awarded, if documentation of costs is not submitted.

Administrative Capacity (10 points maximum) Up to a maximum of five (5) points will be awarded for projects based on the general stability and track record of the applicant organization. In addition, up to a maximum of five (5) points will be awarded for the adequacy of the applicant's staff to implement the project.

## **Applicant Commitment and Leveraging (25 points maximum)**

Applicant Commitment (15 points maximum) Maximum points (15) will be awarded to those applicants whose contributions exceed 20 percent of the total project costs. Applicant contributions that equal 10-19 percent of the total project costs will be awarded ten (10) points. If the applicants' contributions are less than 10 percent of the total project costs, only five (5) points will be awarded. No points will be awarded, if there is no applicant contribution.

An applicant's financial commitment may include cash and any in-kind contributions which materially contribute to the total project cost. In-kind contributions must be documented and may include the donation or long-term lease of land or buildings, site improvements or installed infrastructure, operation and/or maintenance or personnel expenses related to the project.

Leveraging (10 points maximum) Points will be awarded based on the documented commitment of funds specifically identified to supplement the CDBG funds. Maximum points (10) will be awarded for projects, if 50 percent or more of the total project costs are derived from sources other than the applicant or the CDBG Program. Only five (5) points will be awarded, if less than 50 percent of the total project costs are derived from sources other than the applicant or the CDBG Program. The applicant will be awarded no points, if other public or private funding sources are available, but are not sought by the applicant. Examples of leveraged funds include other public or private grants and/or loans, and individual or corporate donations.

## **5. Funding Recommendations**

The highest rated applications will be recommended for funding by the CDBG Review Committee until Salisbury's CDBG allocation for the competition is exhausted or the next highest rated project requires more funds than are available and the project cannot be phased. In this instance, the next highest scoring application may be funded. In case of a tie, the application with the highest combined score for the Public Purpose and the Project Management criteria will be funded first. The project review committee may recommend an award less than the amount requested by the applicant.

Next the project review committee's recommendations (both for approval and rejection) will be reviewed by the Mayor of Salisbury. The Mayor, as the final approval authority, will review and approve or reject the committee's recommendations, taking into consideration the following criteria:

- The City's housing and community development objectives and priorities;
- The availability of alternative funding sources for the project or some of its components;
- The degree of community commitment for the project.

The City expects to announce the final CDBG project awards within 90 days of the application submission deadline.

## Section 4: Subrecipient Agreements

All outside agencies that are awarded grant funds through the City of Salisbury CDBG program are required to enter into a Subrecipient Agreement. This document specifies the terms and conditions under which the grant funds are being awarded, and the responsibilities of the subrecipient agency. It includes the statement of work, the project schedule, and the approved budget. No work on the project may begin until the subrecipient receives their fully executed copy of the Subrecipient Agreement. The fully executed copy of the Subrecipient Agreement, and any amendments to that agreement, must be maintained in the subrecipient's files.

Certain projects may also require a Memorandum of Agreement (MOA) or a Memorandum of Understanding (MOU), depending upon the type of work that is included in the project, and the various agencies that may be involved or approvals that may be required.

## Section 5: Proper Grants Administration and Fiscal Management: Scope of Work, Audits, and Recordkeeping

This section is designed to offer advice on good management practices for your organization, and guidance on making any necessary changes to your scope of work and/or budget in accordance with your grant or subrecipient agreement. It also clarifies information the City of Salisbury has received on the Federal government's funding of audits for our subrecipients.

Grant and contractual awards are determined at the beginning of each fiscal year and identified in the Subrecipient Agreements signed by each of your organizations. Funds are held in the city's bookkeeping system until Fund Request Forms are submitted to the City's Grants Manager and approved for payment.

Each grant and subrecipient agreement details the grantee's project budget, a categorical breakdown of allowable costs, and scope of work. **Please be sure to share this information with appropriate program and fiscal staff at your organization so that all critical personnel are knowledgeable about what can and cannot be funded with the various sources of money paying for your organization's grant activities.**

### *Scope of Work: Changing What You Plan to Accomplish*

Your subrecipient agreement includes a section detailing the scope of work for the project; Appendix A. Appendix A defines the scope of work proposed by the subrecipient in the application submitted to secure CDBG funding for the project. As part of the legal document, the scope of work becomes the standard against which project performance is monitored. Any changes in scope of work should be documented and approved by the City of Salisbury in advance of implementation.

Except in very extenuating circumstances, the failure to meet all established goals is not an appropriate justification for requesting approval of a change in scope of work. Progress toward meeting established goals is to be explained in quarterly performance reports. These reports are carefully reviewed, and performance problems identified in these reports will be addressed on a case-by-case basis.

Any requests to change the scope of work for a project should be submitted in writing and should detail the proposed changes and why. The request should be sent to:

City of Salisbury  
Housing & Community Development Dept.  
207 W. Main Street, Suite 102  
Salisbury, Maryland 21801  
Atten: Grants Manager

The Grants Manager will review the requested change and respond in writing about whether or not the change is approved. No changes to any organization's scope of work should be implemented until written approval has been received from the City of Salisbury Grants Manager.

### ***Audit Requirements: Clarification on Federal Fund Payment of Audits***

The Federal government requires audits only for organizations that have expended more than \$500,000 in Federal funds within their accounting year, whether such funds were received directly from Federal agencies or indirectly through pass-through agencies. For those grantee organizations falling under this category, the City of Salisbury follows the lead of the Federal government and supports the requirement for an A-133 audit.

Although the City of Salisbury prefers that all grantees have an audit, grantees receiving less than \$500,000 in Federal funds are no longer required to have an audit and Federal monies should not be used to pay for an audit if conducted.

If a grantee organization is made aware of a finding, material weakness, or reportable condition by an auditor, the grantee organization must submit a corrective action plan with an expected completion date to the City of Salisbury within 30 days of receipt of the completed, approved audit report. Also, if a grantee organization disagrees with the findings, material weaknesses, or reportable conditions, it should submit an explanation summarizing the reasons for disagreeing to the City of Salisbury within 30 days of receipt of the completed, approved, audit report.

The grantee organization shall provide the City of Salisbury with annual audits / financial statements that fairly present the organization's financial position, and the results of its financial operations in accordance with generally accepted accounting principles. The audits / financial statements shall be filed with the City no later than six (6) months following the end of the calendar period being audited.

The City of Salisbury will review the annual audits / financial statements of all grantee organizations to determine whether or not they are required to complete an A-133 Single Audit, and if such an audit is required that it was submitted to the Federal Audit Clearinghouse in compliance with OMB Circular A-133 standards.

## Financial Management

Accurate record keeping is crucial to the successful management of the formula grants. Insufficient documentation is likely to lead to monitoring findings, and these findings will be more difficult to resolve if records are missing, inadequate, or inaccurate. Grantee organizations should review this section to ensure proper financial management and record keeping.

In general, the financial records that need to be maintained include the following:

- Chart of accounts which properly segregates each fund source;
- Manual on accounting policies and procedures;
- Accounting journals and ledgers;
- Source documentation (purchase orders, invoices, cancelled checks, etc.);
- Procurement files (including bids, contracts, etc.);
- Real property inventory;
- Bank account records (including revolving loan fund records, if applicable);
- Draw down requests;
- Payroll records and reports (with appropriate time distribution reflected on time sheets);
- Financial reports; and
- Relevant financial correspondence.

The CDBG regulations contain detailed sections specifying records that must be maintained, including financial records. The record keeping section for CDBG is **24 CFR 570.506**.

Sometimes the financial functions of the grant program are handled by the staff in the grantee agency who have accounting skills but who are not familiar with CDBG program requirements. In other cases, these financial functions are shared with or handled by staff outside of the grantee agency. To ensure proper financial record keeping and reporting, grantees should ensure that the financial staff understands these points:

- What information needs to be kept and why.
- When that information should be collected and how often.
- How the information should be acquired, organized and stored.
- How the information should be reported.
- How long the records must be kept.



## ***Basic Elements of an Internal Control System***

The basic elements of an internal control system include the following:

- An organizational chart showing title and lines of authority for all individuals involved in approving or recording financial (and other) transactions;
- Written position descriptions that describe the responsibilities of all key employees with a relationship to financial and accounting issues (these descriptions should match those on the salary schedule and/or chart);
- A written policy manual specifying approval authority for financial transactions and guidelines for controlling expenditures;
- Written procedures for the recording of financial transactions, as well as an accounting manual and a chart of accounts;
- Adequate separation of duties to assure that no one individual has authority over an entire financial transaction;
- Hiring policies to ensure that financial staff qualifications are equal to job responsibilities and that individuals hired are competent to do the job;
- Access to accounting records, assets, bank forms, and confidential records are adequately controlled, such that only authorized persons can get access to them; and
- Procedures for regular reconciliation of financial records, comparing a grantee's records with actual assets and liabilities of the organization.

## ***File Organization and Maintenance***

A thorough recordkeeping system includes consistently organized and complete files that contain all information needed to demonstrate that the funding program's requirements have been met. It should have these attributes:

- A clearly defined process for acquiring, organizing, storing, retrieving and reporting information;
- Properly trained and supported staff who are responsible for recordkeeping and reporting tasks;
- Standardized procedures to eliminate duplicative records; and
- Automated or computerized records and reports.

## ***Record Retention and Access***

Record retention and access to records regulations apply to all financial and programmatic records, supporting documents, and statistical records. HUD grantees must retain records that are specifically listed in program regulations and those that can reasonably be considered pertinent to program regulations or the grant agreement.

***Records must be kept for the duration of the activity and then for a period of time thereafter, as specified in the applicable program regulations.***

- For the CDBG program, the length of the retention period is four years. [24 CFR 570.502(a)(16)]

Depending upon the activity, a HUD grantee may need to maintain records for a longer period of time. An example is a real estate transaction in which the HUD grantee makes a loan or grant for a greater period than four years. In that case, all records for that transaction should be maintained for at least the number of years that there is an outstanding obligation.

Records that pertain to something a HUD grantee is being sued for or audited over must be kept until the issue is resolved, or for five years, whichever is longer.

For the CDBG program, the rules governing the starting date of the record retention period for HUD grantees are in 24 CFR 85.429(c). For subrecipients, the rules are in 24 CFR 84.53. Highlights of these rules are as follows:

- The general rule is that the clock starts on the date of the last expenditure report for the applicable grant period.
- In the case of equipment, the starting date is at the end of the equipment's use when it is disposed of, replaced, or transferred.

***For the City of Salisbury CDBG Program the clock on the four (4) year record retention period will begin counting down on the date that the project has been deemed by the City to be complete, and the City has closed the project out in the HUD IDIS reporting system.***

HUD, the Office of Inspector General, and the Comptroller General of the United States, or their authorized representatives, have the right to access HUD grantee and subrecipient program records. If records are stored in an off-site facility (archive or storage center), retrieval and access must be within a reasonable period. Disposal should be carried out in a manner that is cost-effective and ensures confidentiality of information that is related to beneficiary households.

## Section 6: Required Reports

### Program Services

The funds granted through the City of Salisbury for each Fiscal Year cover a wide range of activities. The Federal, State, and City governments must make sure that the monies granted out under the CDBG Program are effectively used and serve as many people as possible. Towards this end; beneficiaries must be tracked, races and ethnicities garnered, and income levels and area of residence verified, along with other required demographic data requested on these reports.

Community Development Block Grant (CDBG) subrecipients are required to complete a **Quarterly Progress Report** that shows the progress made toward your organization's projected goals. This report is due no later than 15 days after the end of each quarter. These reports must be completed every quarter, even if no progress has been made, and must be completed each quarter until the project has been officially closed out by the Housing & Community Development Department. The Grants Manager will advise you when the project is considered complete. Just because all monies have been spent does not mean the project is complete.

Each subrecipient will be provided with an electronic copy of the CDBG Quarterly Progress Report form which contains specific basic information about your agency and your funded project. Please take your time completing the Quarterly Progress Report, and proof read it carefully before you print it out. Make sure you have completed / updated all the sections of the report. Quarterly reports are to be submitted to the Grants Manager of the Finance / Housing & Community Development Department. Reports may be submitted in hard copy or scanned and e-mailed. A complete and CORRECT report needs to be submitted on time. Incomplete or incorrect reports mean that you are not in compliance with the subrecipient agreement and could place you in jeopardy of losing your funding.

Quarterly Reports must be signed by the subrecipient agency's CEO. If the CEO is not readily available, an electronic version of their signature may be attached to the report, as long as at least the quarter ending June 30<sup>th</sup> of the given report year includes an original signature (in blue ink) from the CEO.

Capital projects must also complete a minority / women's business enterprise report (HUD 2516 form) for any project impacted by the Davis Bacon Act.

All completed hard copy reports should be mailed to:

City of Salisbury  
Housing & Community Development Dept.  
207 W. Main Street, Suite 102  
Salisbury, Maryland 21801  
Atten: Grants Manager

## **Section 7: Getting Reimbursed**

### ***Reimbursement of Funds***

Grant subrecipients must submit a Fund Request form in order to be reimbursed for expended funds. The Fund Request form must be accompanied by all necessary supporting documentation. A list of needed documentation is included below.

- Timesheets and payroll sheets (if receiving salary funds).
- Salary schedule with names of all employees charged to grant.
- Proof of fringe benefits requested (if receiving fringe benefit funds).
- Relevant invoices and receipts.
- Cancelled checks or bank payment statements for all expenditures made.
- Documents to support all other reimbursable items.

### **Non-reimbursable Items**

- Fund requests or invoices over 90 days old.
- Late payments on an invoice. Only current charges will be reimbursed.
- Any sort of refreshments for meetings, workshops, training sessions, etc.
- Reimbursement for vacation payouts.

Please send the Fund Request Form to:

City of Salisbury  
Housing & Community Development Dept.  
207 W. Main Street, Suite 102  
Salisbury, Maryland 21801  
Atten: Grants Manager

To fill out the Fund Request Form insert the date of the request at the top of the page. Then fill in the name of the person requesting the reimbursement (usually the same person who will sign the form). Insert the organization's legal name and the project title. Insert the address of the organization including the city, state and zip code.

Next fill in the Grant Agreement Number issued to you by the City (the "SBY" Number). Then fill in the Reimbursement Request number (1, 2, 3, etc.)

In the body of the Fund Request Form you will need to fill in the Organization's legal name, the amount of money requested for reimbursement, and the total grant award amount.

At the bottom insert both the authorized signer's name and title as well as the name of the person preparing the form and accompanying fund request. A sample form is attached.

**City of Salisbury**  
**Housing & Community Development Department**  
**CDBG Fund Request Form**

Date: *[insert date]*

To: City of Salisbury  
Grants Manager  
Housing & Community Development Dept.  
207 W. Main Street, Suite 102  
Salisbury, Maryland 21801

From: Executive Director / CEO's Name  
Title  
Organization  
Address  
City, State, Zip Code

Project Name:  
Grant Agreement Number: SBY-20XX-XX  
Reimbursement Request #:

In accordance with the contractual agreement made between *[Insert Organization]* and the City of Salisbury, Maryland, I hereby request partial payment for reimbursement in the amount of \$*[insert amount requested]*, from the total grant amount of \$*[insert amount awarded]*.

I have attached copies of the documentation that support this reimbursement request, and I understand that our organization must retain the original supporting documentation in our files for monitoring by the City of Salisbury and HUD, and for the annual financial audit.

If you have any questions concerning this reimbursement request please contact me at *[phone number]*.

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*[Name]*  
*[Title]*

## **Section 8: How and When to Modify Your Budget**

The City of Salisbury recognizes that a budget is a living document, and that the crafting of the budget during the funding application process reflects an organization's best estimate of the various line items to be expended throughout the life of the project. During the life of the project, it may be necessary for an organization to modify some of its line items, while always remaining within the total budget awarded. The City of Salisbury expects some modifications to budget line items, but is also aware of the Federal and State regulations governing the use of these funds. To ensure we all stay in compliance with these limitations, the City requires that organization's expecting to deviate from their approved budget submit a formal, written request for a budget modification.

A request for approval of a budget modification must be submitted if there will be a change in any line item expenditure. Budget modification requests must include an explanation or justification for any proposed changes. **DO NOT** expend any funds relating to the modification requested until you have received written approval for the requested changes.

Budget modification requests must be submitted in writing to:

City of Salisbury  
Housing & Community Development Dept.  
207 W. Main Street, Suite 102  
Salisbury, Maryland 21801  
Atten: Grants Manager

Budget modifications that constitute more than 10% of the total amount awarded to the subrecipient, or reflect a substantial change in the use of the funds, will require that an ad be run in the local paper with a specific public comment period in order to satisfy the requirements of the HUD regulations and the City's Citizen Participation Plan.

## **Section 9: Technical Assistance & Oversight**

To avoid problems with subrecipients, the City provides training and technical assistance. Specifically, the City may hold orientation sessions at the beginning of a funding cycle or before applications are submitted. The purpose of these sessions is to provide a forum for discussing CDBG Program basic requirements and procedures, and to discuss expectations about performance.

The City may also provide technical assistance in a one-on-one or small group setting. Technical assistance is designed to provide guidance to subrecipient staff in order to assist them in meeting the regulatory requirements of the CDBG program, correct a specific weakness, or to improve the quality or performance of a specific program or project already underway.

Start-up conferences, pre-construction conferences, distribution of informational materials, and group training sessions are some of the methods that the City may use to provide technical assistance to subrecipient agency staff and other individuals that may be involved in the execution of the project (such as contractors and subcontractors).

## **Section 10: Review of Quarterly Reports and Reimbursement Requests**

All Community Development Block Grant (CDBG) subrecipients are required to complete a **Quarterly Progress Report** that shows the progress made toward the organization's projected goals. This report is due no later than 15 days after the end of each quarter. These reports must be completed every quarter, even if no progress has been made, and must be completed each quarter until the project has been officially closed out by the Housing & Community Development Department. The Grants Manager will advise you when the project is considered complete. Just because all monies have been spent does not mean the project is complete.

The Quarterly Reports will be reviewed by the Grants Manager to verify that they are complete and correct. The financial information in the Quarterly Reports should reflect the funds that have been drawn down in that quarter, and to date. Funds that may have been expended by the subrecipient, but for which they did not request reimbursement during the quarter that is being reported on, should be reflected in the subsequent Quarterly Report. Data from the completed Quarterly Reports is entered into the HUD IDIS on-line reporting system by the Grants Manager. This enables HUD to have up-to-date information on the status of each funded project.

Draw requests are to be submitted on a regular basis, and will be reviewed / approved by the Grants Manager. All subrecipients must submit a Fund Request form in order to be reimbursed for expended funds. The Fund Request form must be signed by the authorized agency representative, and must be accompanied by all necessary supporting documentation. Incomplete draw requests will not be approved for payment.

## **Section 11: Monitoring Procedures**

A copy of the monitoring procedures that the City of Salisbury utilizes for CDBG-funded projects is attached.

## **Section 12: Project Closeout**

Once all the grant funds have been expended, all aspects of the project have been completed, and all of the beneficiary data has been entered into the HUD IDIS on-line reporting system, the project will be closed out in IDIS. A final monitoring of the project will be conducted by the City of Salisbury Housing & Community Development Department. The subrecipient agency is required to maintain all project records for a minimum of five (5) years after the date that the project is closed out in IDIS.

# **CITY OF SALISBURY**

## **MONITORING PROCEDURES**

### **Overview**

The Housing & Community Development Department of the City of Salisbury is responsible for administering Community Development Block Grant (CDBG) funds to implement the goals, strategies and objectives outlined in the City's Consolidated Plan. The City carries out these goals and objectives through a variety of activities, projects and programs that fall into two categories, public service and capital projects. Typically, subrecipients carry out many of the public service and capital projects, including the Owner-Occupied Housing Rehabilitation Program. However, the City may elect to conduct certain projects directly that meet specific goals.

The City's three primary goals of monitoring are to:

- Ensure compliance with CDBG and other federal requirements;
- Ensure production and accountability; and
- Evaluate organizational and project performance.

The City monitors the performance of each subrecipient receiving CDBG funds:

- The City monitors any entity receiving CDBG funds for an eligible project to ensure compliance with applicable program requirements.
- More frequent reviews may be appropriate based on the length and complexity of the activity being undertaken, and the experience and capacity of the subrecipient.

### **I. Monitoring Plans**

The City's monitoring plan includes the following:

- Objectives of the monitoring plan;
- Standardized procedures for reporting by subrecipients;
- Standardized procedures for review and monitoring;
- Frequency of meetings, monitoring reviews and inspections;
- Pre-monitoring preparation;
- Use of staff and other resources for monitoring;
- Monitoring checklist; and
- Sample monitoring letters.

When an on-site monitoring schedule is developed, the schedule is based on a risk assessment conducted at the outset which considers specific factors including (1) amount of total funding obligated and/or expended; (2) new management or key staff who are inexperienced and will likely require technical assistance; (3) prior shortfalls in achieving performance targets as indicated by submitted monitoring reports; (4) previous monitoring concerns requiring follow up; (5) audit report and invoicing concerns; and (6) correspondence from intended beneficiaries. Such assessments identify subrecipients who are most likely to encounter problems in complying with program requirements.



Subrecipients familiar with federal regulations and program requirements will be monitored on a more limited basis. The regulations governing the use of federal funds state that the primary goal of monitoring is to make sure that subrecipients are complying with all regulations governing their administrative, financial and programmatic operations, and to ensure they achieve their performance objectives within schedule and budget. The subrecipient's scope of services, budget outline and appendices to the subrecipient agreement are utilized in the assessment of subrecipient performance.

## **II. Program Monitoring**

The City Staff conducts two types of monitoring reviews, a desk review, and a more intensive on-site monitoring review.

### ***Desk Reviews***

Desk reviews are a key component of the City's basic monitoring activities. The City examines information and materials provided by subrecipients to track performance and identify potential problem areas. Staff performing desk reviews examine progress reports, compliance reports and financial information, to adequately assess performance and look for indicators of performance or compliance problems. If questions or concerns arise from the review, the City gathers additional information through telephone calls or additional documents or other written materials.

### ***On-site Reviews***

The City utilizes the following steps when conducting on-site program monitoring reviews, including reviews of subrecipients.

#### **Step 1: Preparing for the Monitoring Visit**

Staff reviews the following types of in-house data before the visit:

- Subrecipient application for funding,
- Subrecipient written agreement,
- Subrecipient progress reports,
- Draw-down requests,
- Integrated Disbursement and Information System (IDIS) reports,
- Correspondence,
- Previous subrecipient monitoring reviews, and
- Subrecipient audits.

#### **Step 2: Conduct the Monitoring Visit:**

An on-site monitoring visit includes these four basic elements: notification, entrance conference or meeting, data collection and analysis, and exit conference or meeting. These steps are described below.

**Notification:** Staff begins the monitoring process by calling the subrecipients to explain the purpose of the visit and to agree upon dates for the visit. Then, a formal notification letter is sent a few weeks before the planned visit. The letter includes:

- Confirmation of the dates for the review,
- Scope of the monitoring,
- Information needed for review during the visit, and
- Staff needed for interviews or other assistance during the review.

**Entrance conference:** Staff holds an entrance conference at the beginning of the monitoring visit with the executive director or other top official of the organization, to make sure the subrecipient has a clear understanding of the purpose, scope and schedule for the monitoring.

**Documentation, data gathering and analysis:** Staff keeps a record of information reviewed and conversations held with subrecipient staff during the monitoring visit using the attached checklist. This checklist is based on the CDBG Program requirements for each type of project. The information gathered serves as the basis for conclusions to be included in the monitoring report and follow-up letter. Subrecipients may request identification of sources if they dispute any of the conclusions.

**Exit conference:** At the end of the monitoring visit, the staff meets again with key representatives of the subrecipient organization to:

- Present preliminary results of the monitoring,
- Provide an opportunity for the subrecipient to correct any misconceptions or misunderstandings,
- Secure additional information to clarify or support their position, and
- If applicable, provide an opportunity for the subrecipient to report on steps the organization may already be taking to address areas of noncompliance or nonperformance.

### **Step 3: Follow-Up:**

At the end of the process, staff provides the subrecipient with formal written notification (see attached) of the results of the monitoring review. This letter points out problem areas and recognizes successes and creates a permanent written record of the monitoring review. The letter also outlines concerns and findings, and sets deadlines for a written response and corrective actions.

## **III. Project Monitoring**

For individual projects, monitoring begins when activities are selected for CDBG funding and continues through project completion. On construction projects the City requires progress reports with each draw request that flag any pending or anticipated problems. Staff also holds regular meetings to discuss issues and provide any technical assistance needed; and makes periodic site visits to evaluate progress.

Other general areas for project monitoring include:

- Project schedule:
  - Major milestones
  - Drawdown of funds
- Project accomplishments:
  - Project standards established in the written agreement
  - Costs

- Production
- Quality of the construction / rehabilitation
- Income eligibility

#### **IV. Corrective Actions**

The City takes appropriate actions when performance problems arise. Written agreements are the primary mechanism for enforcement in situations of noncompliance.

There are three increasingly serious stages of intervention.

***Stage 1: Low-level Intervention:*** At this stage, the City does one or more of the following:

- ◆ Clearly identifies problem areas and required corrective actions;
- ◆ Develops a strategy with the subrecipient that includes any training or technical assistance that may help to address identified problems;
- ◆ Requires more frequent or more thorough reporting by the subrecipient or other organization carrying out the activity; or
- ◆ Conducts more frequent monitoring reviews.

***Stage 2: Moderate-level Intervention:***

- ◆ Restricts payment requests,
- ◆ Disallows certain expenses or require repayment of funding provided for certain expenses, or
- ◆ Imposes probationary status.

***Stage 3: High-level Intervention:***

- ◆ Temporarily suspends the organization from participation in the CDBG Program,
- ◆ Does not renew the organization or the activity for the next program year,
- ◆ Terminates the organization or activity for the current program year, or
- ◆ Initiates legal action.

#### **V. Incorporating Training and Technical Assistance**

Monitoring is not a one-time event but an ongoing process of planning, implementation and follow-up. To avoid future problems with subrecipients, the City provides training and technical assistance.

Specifically, the City may hold orientation sessions at the beginning of a funding cycle or before submitting an application. The purpose of these sessions is to provide a forum for discussing CDBG Program basic requirements and procedures, and to discuss expectations about performance.

The City also provides technical assistance in a one-on-one or small group setting. Technical assistance is designed to correct a specific weakness, or to improve the quality or performance of a specific program or project already underway.

# CITY OF SALISBURY

## CDBG MONITORING CHECK LIST

Project: \_\_\_\_\_ Monitored by: \_\_\_\_\_

Project Staff: \_\_\_\_\_ Date Completed: \_\_\_\_\_

COMPLETE?					
ITEMS TO BE REVIEWED	YES	NO	NA	LOCATION	COMMENTS
Original Application					
Amendments to Application					
Notice of Award					
Articles of Incorporation					
Nonprofit Determination					
List of Board of Directors					
Insurance - Liability					
<b>AGREEMENT</b>					
Statement of Work					
Approved Budget					
Quarterly Progress Reports					
Level of Accomplishments					
Timeliness of Performance					
Requests for Payment					
<b>FINANCIAL RECORDS</b>					
Record Retention (5 yrs.)					
Separate Accounts for CDBG Funds					
Audit Report					

COMPLETE?					
ITEMS TO BE REVIEWED	YES	NO	NA	LOCATION	COMMENTS
Receipts					
Invoices					
Payroll records					
Time Sheets					
<b>REGULATORY COMPLIANCE</b>					
Procurement Procedures					
Property Inventory					
EEO Certification					
Drug Free Workplace					
State Certification / License					
Fair Housing Compliance					
Davis--Bacon Wage Rates					
Section 3					
<b>NATIONAL OBJECTIVE</b>					
LMI Test Met					
CDBG (Section 8) Income Limits Used					
Source Documentation Available					
Filing System / Record Keeping (orderly / comprehensive / secure)					
<b>ARE GOALS AND OBJECTIVES BEING MET?</b>					

August 28, 2018

Mr. John Doe  
Executive Director  
Salisbury Non-Profit Agency  
123 First Street  
Salisbury, Maryland 21801

RE: Scheduled Monitoring of Agency's CDBG Project

Dear Mr. Doe,

Per our telephone conversation on August 22, 2018, the City of Salisbury, Finance Department will be conducting a monitoring of your CDBG project, (name of project), on September 29 & 30, 2018.

Enclosed is a copy of the checklist that will be used during the monitoring session. Please be sure to have all the listed documents that are applicable to your project available for review. I will also need to review several of the client files for those clients served by this grant. In addition, I will need to be able to interview the project administrator and the financial officer, so please make sure that they are available on those dates.

The purpose of a monitoring visit is to determine whether the subrecipient has implemented and administered its CDBG-funded activities according to applicable Federal requirements. If you have any questions prior to the monitoring visit please feel free to contact me.

Sincerely,

Deborah J. Stam  
Grants Manager

Enclosure

October 23, 2018

Mr. John Doe  
Executive Director  
Salisbury Non-Profit Agency  
123 First Street  
Salisbury, Maryland 21801

RE: Monitoring of Agency's CDBG Project

Dear Mr. Doe,

On September 29 & 30, 2018 \_\_\_\_\_, on behalf of the City of Salisbury, Finance Department, I monitored the Salisbury Non-Profit Agency's CDBG project (name of project) funded in PY \_\_\_\_\_. The SNPA's (project name) project provides (description of services) services to low-to-moderate clientele living within the City limits.

The period under review was from July 1, \_\_\_\_\_ to June 30, \_\_\_\_\_. In addition to examining the relevant files in the course of the review, I met with you, the SNPA Finance Officer, (Jane White), and the SNPA program director for the (program name) program, (Bob Blue). I also visited three assisted projects / cases for the (program name) program. An exit conference was held with you and your staff at the SNPA office on September 30, 2018, to discuss the results of the monitoring visit.

The purpose of a monitoring visit is to determine whether the subrecipient has implemented and administered its CDBG-funded activities according to applicable Federal requirements. In this monitoring review, particular attention was paid to compliance with eligibility and National Objective requirements. Other areas emphasized were financial management systems, procurement practices, compliance with civil rights requirements, and use of program income.

Overall, the SNPA is making diligent efforts to comply with applicable Federal requirements. I found that the SNPA had achieved significant improvements in their financial management systems and management of program income. During the previous monitoring visit, these two areas had been the source of several serious findings regarding inadequate internal controls and failure to keep proper records on receipt and use of program income. The most recent review, however, revealed that the SNPA's systems and procedures in these areas are now satisfactory. In fact, the SNPA's new bookkeeping system for tracking and reporting on the use of program income is excellent. This office will be recommending its adoption by several other subrecipients in our community.

As a result of this most recent review, I am making two new findings and one concern regarding the use of CDBG funds. A ***finding*** is defined as a program element that does not comply with a Federal statute or regulation, whereas a ***concern*** is either a potential finding or a program weakness that should be improved to avoid future problems. The findings and concern are detailed below:

Finding # 1 – (Description of Finding)

Section (section #) of the CDBG regulations provides that (description of regulatory provisions).

The most recent review revealed that (description of area of non-compliance).

Corrective Action

SNPA must provide documentation to demonstrate that (description of documentation required).

This documentation must be provided to the City of Salisbury within thirty (30) days of the receipt of this letter. SNPA must also certify to this office that each of the remaining project files contains the documentation that was missing from the case files that were reviewed. Lastly, for the next four (4) clients served, SNPA will be required to submit (description of documentation required) prior to reimbursement of any expenses for these clients.

Finding # 2 – (Description of Finding)

Section (section #) of the CDBG regulations requires that (description of regulatory requirements).

The most recent review revealed that (description of area of non-compliance).

Corrective Action

SNPA must provide documentation regarding the (description of documentation required).

Concern # 1 – Compliance with (description) requirements set forth in (Citation Number)



The above referenced regulation sets forth the following basic requirements for (description of issue):

1 .....(requirement).....

2 .....(requirement).....

3 .....(requirement).....

Although the SNPA (program name) program has been able to meet these requirements thus far, a proposed change in the structure, staffing level and procedures of the SNPA Finance Office has raised some concerns about the continued ability of the SNPA to (description of possible problem).

#### Requested Action

I hereby request that SNPA, within thirty (30) days of receipt of this letter, forward a detailed description of the proposed SNPA Finance Office re-organization that will reassure this office that there will continue to be a capacity to (standard of performance to be met).

I look forward to receiving your responses within thirty (30) days of receipt of this monitoring letter. If there should be any reason why your organization would have difficulty responding by this deadline, please contact me immediately.

I wish to add that the findings from this review do not reflect negatively on SNPA's staff and their dedication to ensuring the success of the (program name) program. As previously mentioned, I saw ample evidence of significant improvements that have been made by SNPA over the last year in the operation of its CDBG-funded program. I also appreciated the continued assistance of the SNPA staff throughout the monitoring visit.

Sincerely,

Deborah J. Stam  
Grants Manager