



DEPARTMENT OF
HOUSING



CDBG-DR

FINANCIAL POLICY

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PUERTO RICO DEPARTMENT OF HOUSING
 CDBG-DR/MIT PROGRAM
FINANCIAL POLICY
 VERSION CONTROL

VERSION NUMBER	DATE REVISED	DESCRIPTION OF REVISIONS
1	January 2019	Original Version
2	February 2019	Refer to PRDOH CDBG-DR Financial Policies and Procedure Manual V_1_02.01.19.
3	March 2019	Refer to PRDOH CDBG-DR Financial Policies and Procedure Manual V_2_March 2019.
4	July 2019	The template was updated. The Scope was eliminated. Key Terminology was updated. Financial Management Framework was added. The Organizational Structure was updated. The Budget was updated. Cash Management was added. Financial Reporting and Accounting were added. Disaster Recovery Grant Reporting (DRGR) was added. The Appendix was Added.
5	August 2019	The format was updated. The Organizational Structure was updated. Cash Management was Updated. Financial Reporting and Accounting were updated. Disaster Recovery Grant Reporting (DRGR) was updated.
6	November 2019	The Organizational Structure was updated The Budget was updated. Cash Management was updated. Financial Reporting and Accounting was Updated Disaster Recovery Grant Reporting (DRGR) was updated. Record Retention was updated Financial Management System was added.
7	March 2020	Policy document updated to approved PRDOH template. The Forward section was divided into Legal Basis, Purpose, and Scope. Include the Introduction section inside the Scope.

Key Terminology was label Definitions/Acronyms.

**Policy Name change to PRDOH Financial Policy.
Added additional information on the Program Income section.
Eliminated the Master List of SOP's Appendix.
Add 5.4.5.1 Fringe Benefits Section.
Approved and signed: Félix Hernández Cabán
Director of Disaster Recovery- Finance.**

In Chapter 3 - Scope of the Policy added the following section 3.1 Financial Management Topics under Separate Headings.

Chapter 4 Definitions/Acronyms section split into sections 4.1 Definitions and 4.2 Acronyms.

Section 5.7 Records Retention was eliminated and replaced by 3.1.4 Records Retention Policy.

Added Chapter 5 Overview.

Section 5.2.5 Internal Controls moved to Chapter 6 Internal Control.

Section 5.1 Financial Management Framework moved to section 6.1.

All subsections of 5.2 Organizational Structure (except subsections 5.2.5 Internal Controls, 5.2.4 Oversight and Management, and 5.2.7 Separation of Duties) were consolidated into section 6.2 Organizational Structure.

Subsection 5.2.4 Oversight and Management moved to subsection 6.2.1.

Subsection 5.2.7 Segregation of Duties moved to subsection 6.2.2 Separation of Duties.

Subsection 5.5.1 Chart of Account moved inside Section 7.1 Accounting Records as a bullet.

Subsection 5.4.3 Establish Internal Controls was integrated into subsection 7.1.2 Subrecipient Accounting Records.

Eliminated chapter 6 Financial Management Systems information and subsection 7.2.1 Yardi Voyager presents an introduction to the financial management system.

Subsection 5.5.8 Indirect Cost Rate information moved to subsection 8.2.1 PRDOH Indirect Cost Rate.

Section 5.3 Budget moved to Chapter 9 Budget.

Subsection 5.3.3 Action Plan moved to section 9.1 CDBG-DR Action Plan.

8

July 21, 2020

Subsection 5.3.2 Budget Caps moved to section 9.2.

Subsection 5.3.1 Program Operational Budget moved to section 9.3 Operating Budget.

Subsection 5.3.4 Contract Budget moved to section 9.4 Subrecipients Agreement and Regular Contract Budgets.

Subsection 5.3.5 Budget Modification moved to 9.4.1 and added additional information.

Subsection 5.3.6 Budget Projections moved to section 9.5 Budget Projections and Expenditure, and process re-define.

Section 5.3.8 Procurement Collaboration integrated into section 9.4 Subrecipient Agreement and Regular Contract Budgets.

Section 5.4 Cash Management moved to Chapter 10.

Subsection 5.4.1 Invoicing moved to 10.1 Vendor Invoicing and added additional information.

Subsection 5.4.2 Contract and Vendor Set-Up and 5.4.7 Vendor Management consolidated into subsection 10.1.1 Contract, Purchase Orders, and Vendor Setup and additional information added.

Subsection 5.4.4 Invoice Preparation and 5.4.5.1 Fringe Benefits were consolidated and moved to 10.1.2 Invoice Preparation.

Subsection 5.4.5 Invoice Approval moved to 10.1.2 and rewrote.

Subsection 5.4.6 Accounts Payable moved to 10.1.3 Payment Processing, and additional information was added for the payment options and improper payment topics.

Subsection 5.5.4 Program Income move to Chapter 11 additional content added.

Subsection 5.5.4.1 Types of Program Income moved to section 11.1.

Subsection 5.5.4.2 Tracking of Program Income moved to section 11.3 Program Income Generated by Subrecipients.

Subsection 5.5.4.3 Program Income Bank Account moved to section 11.4.

Subsection 5.5.2 Reconciliations moved to chapter 12.

Subsection 5.5.2.1 Yardi to DRGR Reconciliation moved to section 12.1.

Subsection 5.5.5 Payroll moved to 12.3 Payroll Reconciliation.

Subsection 5.5.3 Period-End Closings moved to 12.4.

Subsection 5.5.4.4 Program Income Reconciliation moved to section 12.5.

Subsection 5.5.6 Fixed Assets, Property, and Equipment moved to chapter 14.

Section 5.5 Financial Reporting & Accounting moved to Chapter 15 Financial Reporting.

Subsection 5.5.7 Annual Financial Reporting moved to 15.1.

Section 5.6 Disaster Recovery Grant Reporting (DRGR) was moved to 15.2.

Subsection 5.6.4 Action Plan Budget move to 15.2.1.

Subsection 5.6.5 Quarterly Performance Report (QPR) was moved to 15.2.2.

Added the following sections to the policy: 3.1 Financial Management Topics under Separate Headings, 3.1.1 Audits, 3.1.2 Procurement, 3.1.3 Anti-Fraud, Waste, Abuse or Mismanagement Policy, 3.1.5 Program-Specific Policies, Procedures and Guidelines, 3.1.6 Monitoring Guidelines, 3.1.7 Personally Identifiable Information (PPI) Policy, 3.1.8 Cross-Cutting Guidelines, 5 Overview, 5.1 Uniform Administrative Requirements, 7 Accounting Records and Systems, 7.1.1 Source Documentation, 7.2.1 Yardi Voyager, 7.2.2 VendorCafe, 7.2.3 Financial Dashboards, 7.2.4 Canopy, 7.3 Yardi and DRGR Cross-Reference Coding, 8 Cost Principles, 8.1 Cost Allowability, 8.2 Cost Classification and Allocation, 8.2.2 Subrecipients Indirect Cost Rate, 8.3 Special Considerations for Certain Types of Costs, 8.3.1 Pre-Award Cost, 8.3.2 Travel Expenses, 8.3.2.1 PRDOH Employees, 8.3.2.2 Subrecipients, and Regular Vendors, 8.4 Cost Principles Applicable to Subrecipients, 10.1.4.2 Check Processing, 10.1.5 Requesting Funds from U.S. Treasury, 10.1.5.1 Disbursement in a Timely Manner, 10.1.5.2 DRGR Drawdowns, 10.1.5.3 Processing of U.S. Wire Transfer, 10.1.5.4 Lump-Sum Drawdowns, 10.1.6 Other Forms of Collection or Payment, 10.1.6.1 Cash Collection and Disbursement, 10.1.6.2 Credit Cards, 10.1.6.3 Petty Cash, 10.2 PRDOH Payroll Processing, 11.2 Program Income Does Not Include, 11.5 Program

Income Receipt and Records, 11.6 Transfer of Program Income to CDBG Program, 11.7 Revolving Funds, 13 Timely Expenditure of Funds, 14.1 Change of Use, 14.2 Asset Capitalization, and 16 Closeout.

Section 3.1.2, Procurement, changed to include information regarding the previous procurement manual.

Section 3.1.6, Monitoring Manual, moved to section 3.1.3.

Section 3.1.4, Conflict of Interest and Standards of Conduct Policy, was added.

Section 3.1.3, Anti-Fraud, Waste, Abuse, or Mismanagement Policy, moved to Section 3.1.5.

Section 3.1.4, Record Keeping, Management and Accessibility Policy (RKMA Policy), moved to section 3.1.6.

Section 3.1.6, Policies and Procedures for CDBG-DR Programs Portfolio, moved to section 3.1.8.

Section 3.1.8, Cross-cutting Guidelines, moved to section 3.1.9.

9 September 30, 2020

Section 9.5 Revolving Fund was moved to Chapter 12 - PRDOH changed its position on allowing the use of revolving funds.

Subsection 9.4.1 Budget Modifications moved to section 9.5.

Chapter 12 Reconciliations and all sections moved to Chapter 13.

Chapter 13 Timely Expenditure of Funds moved to Chapter 14.

Chapter 14 Fixed Assets, Property, and Equipment and all sections moved to Chapter 15.

Chapter 15 Financial Reporting and all sections moved to Chapter 16.

Chapter 16 Closeout and all sections moved to Chapter 17.

Chapter 17 Approval moved to Chapter 18.

March 9, 2021

Eliminated the FTE's number from a paragraph in ~~an~~ section 6.2 Organizational Structure. Changed Figure 3 CDBG-DR Finance Division Organizational Chart and Figure 4 Cross-Reference Chart of User Positions and Yardi User Roles. Changed wording of the introduction of Chapter 11 Program Income and Chapter 12 Revolving Loans. Eliminated the following: Section 11.1 Types of Program Income, Section 11.2 Program Income Does Not Include, Section 11.3 Program Income Generated by Subrecipients, Section 11.4 Program Income Bank Account, Section 11.5 Program Income Receipt and Records, Section 11.6 Transfer of Program Income to CDBG Program, and Section 13.5 Program Income Reconciliation. Added Procedures to Determine Timely Expenditures inside section 10.1.5. Eliminated last sentence on section 10.1.5 - Requesting Funds from U.S. Treasury - Disbursement in a Timely Manner.

10

11

March 7, 2024

The CDBG-DR title and references were updated to CDBG-DR/MIT. General grammar editing. Figure 1 eliminated and added CDBG-DR funds allocation description to the last paragraph of the Purpose chapter. Section 3.1.2 Procurement: was edited to align it with the Puerto Rico executive Order 21-27. In section 4.2, Acronyms: CDBG-MIT acronym was added. In Chapter 5, Overview, footnote 8 was edited to update the CFR reference number to C.F.R 200.334 Retention Requirements for Records. In section 8.3.2 Travel Expenses – PRDOH Employees: changed the reference name to Official Business Travel Policy and eliminated Department of Treasury references. Section 9.6 Budget Projections and Expenditures: updated to include 85 FR 4676 and timing of projections deliverables. In section 10.1.4, Payment Processing updated the reference SOP name to Invoice Payment Preparation and Disbursement and added the Recapture Policy as a reference in the Improper Payment topic. In section

10.1.5 Requesting Funds from U.S. Treasury / Disbursement in a Timely Manner / Reimbursement Method, the last sentence was eliminated, and as a method of transferring funds to Subrecipients, the Project Implementation Advance Funding (PIAF) was added. In section 10.1.5, Requesting Funds from U.S. Treasury / DRGR Drawdowns updated the reference name to DRGR Draw of Funds SOP. In section 10.1.6, Other Forms of Collection of Payment eliminated the Petty Cash paragraph. Section 13.2, Bank Reconciliation, updated the reference name to Processing of Journal Entries SOP. Chapter 14, Timely Expenditures of Funds, added the timeframe to use CDBG-MIT funds and footnote 33. In Chapter 15, Fixed Assets, Property, and Equipment, the reference name to Processing of PRDOH Fixed Assets Registry and Depreciation SOP is updated. Section 15.1', Change of Use, eliminated the last paragraph about PRDOH's or its Subrecipients' position on acquiring real property. Section 16.1.1, Single Audit, added regulation regarding the deadline and method of distribution of funds. Chapter 17, Canceled Projects or Activities, Added.

Table of Contents

1	Legal Basis	14
2	Purpose	14
3	Scope of the Policy	14
3.1	Financial Management Topics under Separate Headings	14
3.1.1	Audits	15
3.1.2	Procurement	15
3.1.3	Monitoring Manual	15
3.1.4	Conflict of Interests and Standards of Conduct Policy	15
3.1.5	Anti-Fraud, Waste, Abuse, or Mismanagement Policy	16
3.1.6	Record Keeping, Management, and Accessibility Policy (RKMA Policy)	17
3.1.7	Personally Identifiable Information, Confidentiality, and Nondisclosure Policy (PII Policy).....	18
3.1.8	Policies and Procedures for CDBG-DR/MIT Programs Portfolio.....	18
3.1.9	Cross-Cutting Guidelines	18
4	Definitions/Acronyms	18
4.1	Definitions.....	18
4.2	Acronyms	21
5	Overview	22
5.1	Uniform Administrative Requirements	23
6	Internal Control	24
6.1	Financial Management Framework	25
6.2	Organizational Structure	26
6.2.1	Oversight and Management	27
6.2.2	Separation of Duties.....	27
7	Accounting Records and Systems	29
7.1	Accounting Records	29
7.1.1	Source Documentation	30
7.1.2	Subrecipient Accounting Records	31
7.2	Financial and Programmatic Management Systems	31
7.2.1	Yardi Voyager	32
7.2.2	VendorCafe	33

7.2.3	Financial Dashboards	34
7.2.4	Canopy.....	35
7.3	Yardi and DRGR Cross-Reference Coding	36
8	Cost Principles.....	38
8.1	Cost Allowability.....	38
8.2	Cost Classification and Allocation.....	38
8.2.1	PRDOH Indirect Cost Rate	39
8.2.2	Subrecipients Indirect Cost Rate	40
8.3	Special Considerations for Certain Types of Costs	40
8.3.1	Pre-Award Cost.....	40
8.3.2	Travel Expenses	40
8.4	Cost Principles Applicable to Subrecipients.....	41
9	Budget	41
9.1	CDBG-DR/MIT Action Plan	42
9.2	Budget Caps	43
9.3	Operating Budget.....	43
9.4	Subrecipient Agreement and Regular Contract Budgets.....	44
9.5	Budget Modifications	44
9.6	Budget Projections and Expenditures	45
10	Cash Management	45
10.1	Vendor Invoicing.....	45
10.1.1	Contract, Purchase Orders, and Vendor Setup	45
10.1.2	Invoice Preparation.....	46
10.1.3	Invoice Approval.....	48
10.1.4	Payment Processing.....	48
10.1.5	Requesting Funds from U.S. Treasury	50
10.1.6	Other Forms of Collection or Payment	53
10.2	PRDOH Payroll Processing.....	53
11	Program Income.....	54
12	Revolving Funds.....	54
13	Reconciliations.....	54
13.1	Yardi to DRGR Reconciliation.....	54
13.2	Bank Reconciliation	55
13.3	Payroll Reconciliation	55

13.4	Period-End Closings	55
14	Timely Expenditure of Funds	56
15	Fixed Assets, Property, and Equipment.....	56
15.1	Change of Use	56
15.2	Asset Capitalization	57
16	Financial Reporting.....	57
16.1	Annual Financial Reporting	57
16.1.1	Single Audit.....	57
16.1.2	Financial Statements and Comprehensive Annual Financial Report (CAFR)	58
16.1.3	Federal Fund Accountability and Transparency Act (FFATA)	58
16.2	Disaster Recovery Grant Reporting (DRGR)	58
16.2.1	Action Plan Budget	58
16.2.2	Quarterly Performance Report (QPR)	59
17	Canceled Projects or Activities	59
17.1	Identifying the Need for a Canceled Project or Activity	60
17.2	Repayment of Project or Activity Cancellation Expenses	61
17.3	Reclassification of Eligible Expenses	61
18	Closeout	61
18.1	Subrecipients Closeout	62
19	Approval.....	63

Table of Figures

No table of figures entries found.

List of Tables

Table 1: Contact Information to Report AFWAM to PRDOH CDBG-DR/MIT	17
Table 2: Contact Information to Report AFWAM to HUD OIG	17
Table 3: CDBG-DR/MIT Finance Division Responsibilities	26

1 Legal Basis

The Puerto Rico Department of Housing (**PRDOH**) was selected as the administrator of the Community Development Block Grant - Disaster Recovery (**CDBG-DR**) funds allocated to the Government of Puerto Rico by the United States Department of Housing and Urban Development (**HUD**) to address Puerto Rico's long-term recovery needs caused by Hurricanes Irma and María, pursuant to a letter dated February 23, 2018, sent by the former Governor of Puerto Rico to the Secretary of HUD. Afterward, Puerto Rico received an additional HUD allocation to address mitigation of current and future risks through a CDBG-Mitigation (**CDBG-MIT**) grant announced in 2018. Also received additional CDBG-DR allocations to enhance electrical systems and address the long-term recovery from the 2019-2020 Earthquakes and Tropical Storm Isaiás, as well as the impacts of Hurricane Fiona and the 2022 Floods. Therefore, PRDOH created the CDBG-DR/MIT Finance Division, a separate division from the existing PRDOH Finance Division, to oversee the use of CDBG-DR/MIT funds.

2 Purpose

The purpose of the PRDOH CDBG-DR/MIT Finance Division is to ensure effective and fully compliant cost principles and use of funds, maximize operational and financial performance, minimize risk, and provide optimal services. The CDBG-DR/MIT Finance Division is committed to upholding and fully complying with applicable Federal and local laws, regulations, codes, and ordinances. The CDBG-DR/MIT Finance Division is responsible for managing and overseeing \$12.0 billion in CDBG-DR funds and \$8.3 billions in CDBG-MIT funds.

3 Scope of the Policy

This policy outlines PRDOH's CDBG-DR/MIT financial management policies in its role as grantee. The policy is intended to serve as a guide for both internal and external controls related to the financial activity of the CDBG-DR/MIT program for use by the CDBG-DR/MIT Finance Division, other PRDOH staff, and/or PRDOH contractors and subrecipients.

The policies in this document are implemented by Standard Operating Procedures (**SOP**) referenced throughout the document. This policy may be updated as necessary. The current version of this policy, and the accompanying SOPs, replace all previously approved CDBG-DR Financial Policies and Procedures.

3.1 Financial Management Topics under Separate Headings

Notwithstanding the policies of this document, the following PRDOH CDBG-DR/MIT Finance Division documents contain financial management and related topics under separate headings and, therefore, are not covered in this policy:

3.1.1 Audits

The PRDOH CDBG-DR/MIT Finance Division shall take prompt action to correct identified instances of noncompliance, including those identified in internal audit findings. PRDOH CDBG-DR/MIT Finance Division's source for internal audit topics is included in the current **CDBG-DR Internal Audit Manual** and **Internal Audit Activity Charter**. This **Charter** is available in English and Spanish at <https://recuperacion.pr.gov/en/resources/policies/> **Error! Hyperlink reference not valid.** and <https://recuperacion.pr.gov/recursos/politicas/>.

3.1.2 Procurement

The Uniform Guidance procurement requirements (2 C.F.R. Part 200, Subpart D) apply to CDBG-DR and CDBG-MIT funded projects. These policies and procedures ensure that Federal dollars are spent fairly and encourage open competition at the best level of service and price. PRDOH's procurement processes are in full compliance with federal laws, rules, and regulations, including but not limited to 2 C.F.R. part 200, in particular, 2 C.F.R. § 200.317, the Appropriations Act, the Federal Register Notices, and applicable Federal, State, and local laws, rules, and regulations. These requirements are to be adhered to by all parties participating in the procurement.

PRDOH, as the grantee of the CDBG-DR/MIT funds, has determined that procurement processes and policies of the CDBG-DR/MIT programs will be governed by the provisions of federal statute 2 C.F.R. § 200.317. It allows PRDOH to follow its procurement policies and procedures as established in 2 C.F.R. § 200.317 and, in turn, allows subrecipients to be subject to the provisions of 2 C.F.R. §200.318 to 2 C.F.R. §200.327. Consistent with federal standards, PRDOH adopted the Procurement Manual for the CDBG-DR, CDBG-MIT, and CDBG State Programs, Regulation No. 9506 of September 25, 2023.

Accordingly, PRDOH requires that subrecipients comply with policies and procedures for the responsible expenditure of CDBG-DR/MIT funds. Specifically, subrecipients must maintain records of their acquisition processes, allowing PRDOH to carry out monitoring processes effectively when required.

3.1.3 Monitoring Manual

PRDOH evaluates and monitors CDBG-DR/MIT funded programs and activities to ensure compliance with statutes, regulations, and the terms and conditions of the CDBG-DR and CDBG-MIT grant award. The PRDOH **CDBG-DR/MIT Monitoring Manual** is available in English and Spanish at <https://recuperacion.pr.gov/en/resources/policies/> **Error! Hyperlink reference not valid.** and <https://recuperacion.pr.gov/recursos/politicas/>.

3.1.4 Conflict of Interests and Standards of Conduct Policy

The Conflict of Interest and Standards of Conduct Policy (**COI Policy**) outlines PRDOH's responsibility, in its role as grantee, to identify, evaluate, disclose, and manage apparent, potential, or actual conflicts of interest related to CDBG-DR/MIT funded projects, activities, and/or operations. This Policy applies to all PRDOH and CDBG-DR/MIT

employees, officers, designees, subrecipients, subgrantees, partners, consultants, vendors, and/or contractors affiliated to CDBG-DR/MIT funded projects, activities and/or operations, and/or any person who participates in auction bids, submits quotes, is interested in executing contracts or agreements or seeks to receive an economic incentive through their relationship with PRDOH, CDBG-DR, and CDBG-MIT.

This Policy also includes standards of conduct governing employees engaged in the award or administration of contracts through PRDOH or any subrecipient, as per 24 C.F.R. § 570.489 on Program Administrative Requirements. In compliance with 2 C.F.R. § 200.318(c)(1) and 24 C.F.R. § 570.489(g) and (h), this Policy constitutes PRDOH's written standards of conduct covering conflicts of interest and governing actions of CDBG-DR/MIT public servants, employees, officers and/or designees engaged in the selection, award, and administration of all CDBG-DR/MIT related contracts. In addition, it asserts the duty of all employees, vendors, contractors, and applicants related to the CDBG-DR/MIT Programs to disclose any real or potential conflict of interest.

The **COI Policy** is available in English and Spanish at <https://recuperacion.pr.gov/en/resources/policies/> **Error! Hyperlink reference not valid.** and <https://recuperacion.pr.gov/recursos/politicas/>.

3.1.5 Anti-Fraud, Waste, Abuse, or Mismanagement Policy

PRDOH is committed to the responsible management of CDBG-DR/MIT funds by maintaining a comprehensive policy for preventing, detecting, reporting, and rectifying fraud, waste, abuse, or mismanagement.

Pursuant to Federal Register Notices 83 FR 40314, 84 FR 45838, 86 FR 32681 and 87 FR 6364 PRDOH implements adequate measures to detect and prevent fraud, waste, abuse, or mismanagement in all CDBG-DR/MIT funded programs. This includes encouraging any individual who is aware of, or suspects, conduct or activity that may be considered an act of fraud, waste, abuse, or mismanagement related to the CDBG-DR/MIT Program, to report such acts to the CDBG-DR/MIT Internal Audit Office, directly to the Office of Inspector General (**OIG**) at HUD, or any local or federal law enforcement agency.

The Anti-Fraud, Waste, Abuse, or Mismanagement Policy (**AFWAM Policy**) was established to prevent, detect, and report any acts, or suspected acts, of fraud, waste, abuse, or mismanagement of CDBG-DR/MIT funds. This policy applies to any allegations or irregularities, either known or suspected, that could be considered acts of fraud, waste, abuse, or mismanagement involving any citizen, previous, current or potential applicant, beneficiary, consultant, contractor, employee, provider, subrecipient, supplier, and/or a vendor under the CDGB-DR/MIT Program. The **AFWAM Policy** is available in English and Spanish at <https://recuperacion.pr.gov/en/resources/policies/> **Error! Hyperlink reference not valid.** and <https://recuperacion.pr.gov/recursos/politicas/>.

REPORT FRAUD, WASTE, ABUSE, OR MISMANAGEMENT DIRECTLY TO PRDOH CDBG-DR	
CDBG-DR/MIT Hotline	787-274-2135 (English/Spanish/TTY)
Postal Mail	Puerto Rico Department of Housing CDBG-DR/MIT Internal Audit Office P.O. BOX 21355 San Juan, PR 00928-1355
Email	hotlineCDBG@vivienda.pr.gov
Online	Filling out the AFWAM Submission Form available in English and Spanish at https://recuperacion.pr.gov/welcome/index.html , or https://recuperacion.pr.gov/app/cdbgdrpublic/Fraud
In-person	Request a meeting with the CDBG-DR/MIT Internal Audit Office's Deputy Audit Director at PRDOH's Headquarters at 606 Barbosa Avenue, Building Juan C. Cordero Davila, Río Piedras, PR 00918.

Table 1: Contact Information to Report AFWAM to PRDOH CDBG-DR/MIT

REPORT FRAUD, WASTE, ABUSE, OR MISMANAGEMENT DIRECTLY TO HUD OIG	
HUD OIG Hotline	1-800-347-3735 (Toll-Free) 787-766-5868 (Spanish)
Postal Mail	HUD Office of Inspector General (OIG) Hotline 451 7th Street SW Washington, D.C. 20410
Email	HOTLINE@hudoig.gov
Internet	https://www.hudoig.gov/hotline

Table 2: Contact Information to Report AFWAM to HUD OIG

3.1.6 Record Keeping, Management, and Accessibility Policy (**RKMA Policy**)

The RKMA Policy is a stand-alone document that applies to the various types of records generated across the grant (grant files); at the program level (program files); for specific projects, whether they are part of a programmatic structure or are a separate Disaster Recovery Grant Reporting System (**DRGR**) activity (project files); and the individual case files created through an applicant or beneficiary program (applicant/beneficiary files). The **RKMA Policy** is available in English and Spanish at <https://recuperacion.pr.gov/en/resources/policies/> **Error! Hyperlink reference not valid.** and <https://recuperacion.pr.gov/recursos/politicas/>.

As per 2 C.F.R. § 200.334 on Retention Requirements for Records and 24 C.F.R. § 570.490(d) on Record-Keeping Requirements, all official records on programs and individual activities shall be retained for the greater of three (3) years, starting from the closeout of the grant or beyond the end of the affordability period for each housing activity, whichever is longer.

If any other laws and regulations described in 24 C.F.R. § 570.490 apply to a project, the record retention period may be extended. All records involved in litigation, claims, audits, negotiations, or other actions which have started before the expiration date of their

retention, will be kept until the completion of the action and resolution of all issues or the end of the regular **three (3) year** period, whichever is longer.

3.1.7 Personally Identifiable Information, Confidentiality, and Nondisclosure Policy (PII Policy)

PRDOH implements reasonable measures to safeguard sensitive information and assets purchased with CDBG-DR/MIT funds, consistent with privacy obligations of confidentiality of applicable federal, state, and local laws. The **PII Policy** is available in English and Spanish at <https://recuperacion.pr.gov/en/resources/policies/> **Error! Hyperlink reference not valid.** and <https://recuperacion.pr.gov/recursos/politicas/>.

3.1.8 Policies and Procedures for CDBG-DR/MIT Programs Portfolio

Each CDBG-DR/MIT funded program must comply with federal and local statutes, regulations, and the terms and conditions of the CDBG-DR and CDBG-MIT Grant Agreement. Each program is governed by program guidelines intended to aid and guide program implementation and closeout. All program activities must comply with the policies stated in their respective program guidelines. In addition, all program staff must adhere to established program procedures and all federal and state laws and regulations in effect, as applicable, in the execution of program activities. All approved program guidelines are available in English and Spanish at <https://recuperacion.pr.gov/en/programs/> and <https://recuperacion.pr.gov/programas/>.

3.1.9 Cross-Cutting Guidelines

The Cross-Cutting Guidelines cover topics such as financial management, environmental review, conflict of interest, labor standards, acquisition, relocation, fair housing, and others. The requirements in the Cross-Cutting Guidelines apply to all CDBG-DR/MIT-funded programs. The **Cross-Cutting Guidelines** are available as a standalone document in English and Spanish at <https://recuperacion.pr.gov/en/resources/policies/> and <https://recuperacion.pr.gov/recursos/politicas/>.

4 Definitions/Acronyms

4.1 Definitions

- **Activity:** An activity is a specific project addressing a need performed and reported by PRDOH.
- **Action Plan:** A comprehensive description of projects, including activities, proposed accomplishments, sources of funds, and funding users.¹

¹ The CDBG-DR/MIT Action Plans, as amended, can be found in English and Spanish at <https://recuperacion.pr.gov/en/action-plans/> and <https://recuperacion.pr.gov/planes-de-accion/>.

- **Category:** Cost categories are codes within the Job Costing Module of Yardi, used to build budgets and book transactions. These codes map to General Ledger (**G/L**) and Chart of Accounts in a “many to one” fashion, allowing you to carry much more detail for a “job” within the Job Costing Module as compared to the G/L.
- **Certification of Funds:** Official document attesting to the availability of funds.
- **Change Order:** Amendment to the contract related to the goods or services costs and/or performance period.
- **Community Development Block Grant - Disaster Recovery:** The Community Development Block Grant - Disaster Recovery (**CDBG-DR**) is a federal grant for long-term disaster recovery, funded by the United States Department of Housing and Urban Development (**HUD**).
- **Community Development Block Grant - Mitigation:** The Community Development Block Grant - Mitigation (**CDBG-MIT**) is a federal grant allocated by HUD to carry out strategic and high-impact activities to mitigate disaster risks and reduce future losses.
- **Contract:** A legally enforceable written agreement between PRDOH and a vendor or contractor where services are requested, and the contracted party needs to comply with the terms, conditions, clauses, and amendments.
- **Contractor:** A supplier, or bidder, as applicable, who is awarded and executes a contract with the PRDOH.
- **Generally Accepted Accounting Principles:** The Generally Accepted Accounting Principles (**GAAP**) refers to a common set of accounting principles, standards, and procedures adopted by the U.S. Securities and Exchange Commission (**SEC**) and published by the Financial Accounting Standards Boards (**FASB**).
- **Grant Management Company:** The Grant Management Company (**GM**) is the company procured by PRDOH to support the implementation of the CDBG-DR and CDBG-MIT Program.
- **Improper Payment:** According to the Improper Payments Information Act of 2002², this term is defined as:
 - (A) Any payment that should not have been made or was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and
 - (B) Includes any payment to an ineligible recipient, any payment for an ineligible

² <https://www.govinfo.gov/content/pkg/PLAW-107publ300/pdf/PLAW-107publ300.pdf>

good or service, any duplicative payment, any payment for a good or service not received (except for such payments where authorized by law), and any payment that does not account for credit for applicable discounts.

- **Job:** Refers to any project within the Job Costing Module you wish to capture and track costs.
- **Job Costing Module:** The Job Costing Module tracks all costs related to a specific job; it provides the tools you need to manage jobs and quickly identify job costs that are out of line with budget estimates and requirements.
- **Limited Denial of Participation:** A Limited Denial of Participant (**LDP**) is an action that excludes a specific person or vendor from participating in a CDBG-DR/MIT program or programs within a HUD field office's geographic jurisdiction, for a particular period of time. The denial is usually issued by a HUD field office but may be issued by a Headquarters³.
- **Memorandum of Understanding:** A Memorandum of Understanding (**MOU**) is a written agreement between PRDOH and a responsible entity to ensure CDBG-DR/MIT funds are used in accordance with program requirements.
- **Office of the Puerto Rico Controller Web Page:** Web portal to search contracts registered with the Government of Puerto Rico and its amendments.
- **Program Lead:** Point of Contact (**POC**) of the PRDOH Program Area.
- **Purchase Orders:** A Purchase Order (**PO**) is a commercial document issued by the CDBG-DR/MIT Procurement Division to a contractor indicating the type, quantities, and agreed prices for products or services.
- **Puerto Rico Department of Housing:** Puerto Rico Department of Housing (**PRDOH**) is the grantee for the Puerto Rico CDBG-DR and CDBG-MIT funds.
- **Quarterly Performance Report** - A Quarterly Performance Report (**QPR**) is a report submitted to HUD by PRDOH via the DRGR system showing the progress of CDBG-DR/MIT recovery activities.
- **System for Award Management:** The System for Award Management (**SAM**) is an official website of the United States (**U.S.**) government. The system can be used to register interested entities to do business with the U.S. government, update or renew the registration, check the registration status, and search for an entity's registration and exclusion records.

³ C.F.R. § 2424.1100 – What is a limited denial of participation?

- **Secretary:** The Secretary is the highest-ranking position in the Puerto Rico Department of Housing.
- **Subrecipients:** An entity, usually but not limited to non-Federal entities, that receives a subaward from a pass-through entity to carry out part of a Federal award; but does not include an individual that is a beneficiary of such award. A subrecipient may also be a recipient of other federal awards directly from a federal awarding agency.⁴
- **Subrecipients Agreements:** A Subrecipient Agreement (**SRA**) is a contractual relationship between PRDOH and a subrecipient.
- **Vendor:** A contractor, supplier, subrecipient, or bidder, as applicable, who is awarded and executes a written agreement (contract, subrecipient agreement, or purchase order) with the PRDOH.
- **Written Agreement:** A legally binding agreement between PRDOH and a vendor in a contract, purchase order, subrecipient agreement, or MOU.
- **Yardi:** Yardi Voyager is a web-based, fully integrated end-to-end platform to manage operations, accounting, and reports. The platform will be used by PRDOH to manage the grant.

4.2 Acronyms

- **AFWAM Policy:** Anti-Fraud, Waste, Abuse, or Mismanagement Policy
- **CDBG:** Community Development Block Grant
- **CDBG-DR:** Community Development Block Grant-Disaster Recovery
- **CDBG – MIT:** Community Development Block Grant – Mitigation
- **CPD:** Community Planning and Development
- **DRGR:** Disaster Recovery Grant Reporting System
- **EFT:** Electronic Funds Transfer
- **FTE:** Full-Time Equivalent
- **GAAP:** Generally Accepted Accounting Principles
- **G/L:** General Ledger
- **HUD:** United States Department of Housing and Urban Development

⁴ 2 C.F.R. § 200.1 - Definitions.

- **ICRP:** Indirect Cost Rate Proposal
- **LDP:** Limited Denial of Participation
- **LOCCS:** Line of Credit Control System
- **MOU:** Memorandum of Understanding
- **MTDC:** Modified Total Direct Cost
- **OIG:** Office of the Inspector General
- **PO:** Purchase Order
- **POC:** Point of Contact
- **PRDOH:** Puerto Rico Department of Housing
- **PRPHA:** Puerto Rico Public Housing Administration
- **SRA:** Subrecipient Agreement
- **SAM:** System for Award Management
- **SOP:** Standard Operating Procedure
- **QPR:** Quarterly Performance Report

5 Overview

PRDOH and its subrecipients are required to adopt financial management policies that include the following key components:

- Internal Controls⁵;
- Cost Accounting⁶ and Records⁷;
- Budgeting⁸;
- Cost Principles⁹; and
- Reporting¹⁰

Financial management is the process of using funds effectively, efficiently, and transparently. It is accomplished through a combination of procedures, methods, rules of

⁵ 2 C.F.R. § 200.303 Internal Controls.

⁶ 2 C.F.R. § 200.419 Cost Accounting Standards and Disclosure Statement.

⁷ 2 C.F.R. § 200.334 Retention Requirements for Records.

⁸ 2 C.F.R. § 200.308 Revision of Budget and Program Plans.

⁹ 2 C.F.R. § 200 Subpart E – Cost Principles.

¹⁰ 2 C.F.R. § 200.328 Financial Reporting.

conduct, and standards. Effective and efficient financial management systems have key characteristics in common, which include:

- Transparency and clear accountability at all levels of operation;
- All parties are held accountable for making good financial decisions and following all rules and regulations;
- Expenditures are planned and then checked against the plan (e.g., an approved budget);
- Costs are reasonable, necessary, allowable, and appropriately allocated to the correct funding source;
- Funds do not sit idle and are protected from misuse;
- Records are clearly understood by any certified public accountant (**CPA**); and
- Reports generated are useful to program managers and agency leadership.

5.1 Uniform Administrative Requirements

Federal Financial Management requirements and guidelines are established in 2 C.F.R. Part 200, Treasury Circulars, and HUD regulations. PRDOH and its subrecipients must adhere to the requirements at 2 C.F.R. Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards." The 2 C.F.R. Part 200 is comprised of the following subparts:

- **Subpart A** – Acronyms and Definitions (§200.0 - §200.1);
- **Subpart B** – General Provisions (§200.100 - §200.113);
- **Subpart C** – Pre-Federal Awards Requirements and Contents of Federal Awards (§200.200 - §200.213);
- **Subpart D** – Post Federal Award Requirements (§200.300 - §200.345);
- **Subpart E** – Cost Principles (§200.400 - §200.475); and
- **Subpart F** – Audit Requirements (§200.500 - §200.521 and Appendix I to Part 200 – Appendix XII to Part 200)

The Uniform Administrative Requirements require PRDOH and its subrecipients to maintain adequate control and accountability over all funds, property, and other assets and ensure that CDBG-DR/MIT funds are used solely for authorized purposes.

The CDBG regulations at 24 C.F.R. § 570.502 set forth the applicable uniform administrative requirements that must be adhered to in the administration and implementation of the CDBG-DR/MIT program. Notice that there are exceptions to the Uniform Administrative Requirements at 2 C.F.R. Part 200 under CDBG. Where conflicts occur between the definitions in 2 C.F.R. Part 200 and 24 C.F.R. Part 570, the definitions at 24 C.F.R. Part 570 shall govern.

Sound financial management requires all these components to work properly and in connection with one another. HUD's OIG and the Office of Community Planning and

Development (CPD) have developed a set of "Integrity Bulletins" that address issues grantees often struggle with. These bulletins are located at: <https://www.hudexchange.info/resource/5065/hud-integrity-bulletins/>.

6 Internal Control

Internal controls combine policies, procedures, job responsibilities, personnel, and records that create accountability and safeguard cash, property, and other assets. PRDOH's internal controls ensure that:

- Resources are used for authorized purposes and in a manner consistent with applicable laws, regulations, and policies;
- Resources are protected against waste, mismanagement and/or loss; and
- Information on the source, amount, and use of funds are reliable, secured, and up-to-date, and this information is disclosed in the appropriate reports and records.

PRDOH's internal controls include the following:

- An organizational chart setting forth the actual lines of responsibility of personnel involved in financial transactions;
- Written definition and delineation of duties among key personnel involved in financial transactions;
- A Chart of Accounts and adherence to GAAP; and
- Written SOPs that provide step-by-step instructions to implement the policies of this document, including:
 - Specific approval authority for financial transactions and guidelines for controlling expenditures and revenues.
 - A set of written procedures for recording transactions.
 - Adequate separation of duties so that no individual has authority over a financial transaction from beginning to end. In other words, one person does not have responsibility for more than one of the following functions:
 - Authorization to execute a transaction
 - Recording of the transaction
 - Custody of the assets involved in the transaction
 - Hiring policies ensuring that staff qualifications are commensurate with job responsibilities.¹¹
 - Control over assets and confidential documents so that these types of documents are limited to authorized personnel only.

¹¹ The CDBG-DR/MIT Finance Division utilizes the procedures established by the PRDOH Human Resources in the recruitment and hiring of personnel.

- o Periodic comparisons (e.g., monthly, quarterly, annually) of financial records to actual assets and liabilities (i.e., reconciliation); and in cases where discrepancies are found, corrective action must be taken to resolve such differences.

6.1 Financial Management Framework

The CDBG-DR/MIT Finance Division adopted the following financial management framework as a mechanism for organizing operations and activities relevant to the efficient and effective oversight and operations of financial functions for the CDBG-DR/MIT Program.

PRDOH is committed to the responsible, efficient, and transparent administration of CDBG-DR/MIT funds through the implementation of a financial management framework that properly organizes policies, procedures, practices, and systems necessary to ensure compliance with requirements.

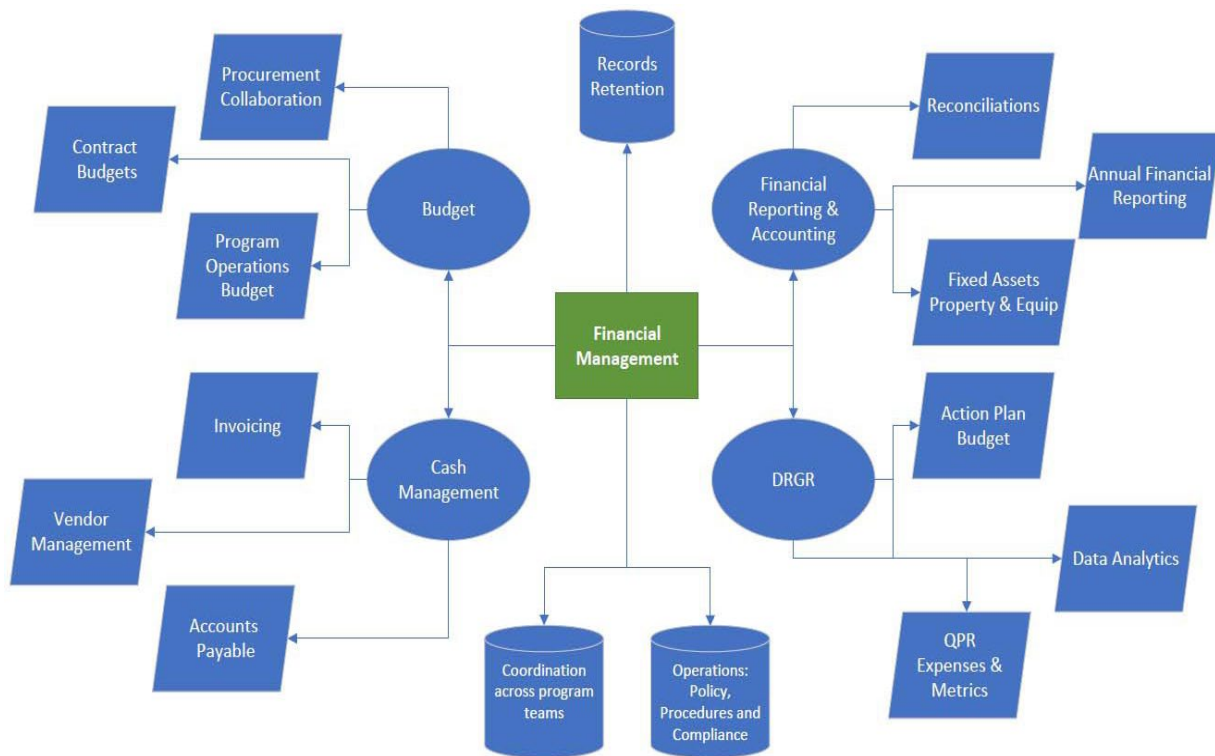


Figure 1: CDBG-DR/MIT Financial Management Framework

6.2 Organizational Structure

The following organization chart represents the structure of the CDBG-DR/MIT Finance Division and may be updated, as needed, to ensure compliance with financial management requirements.

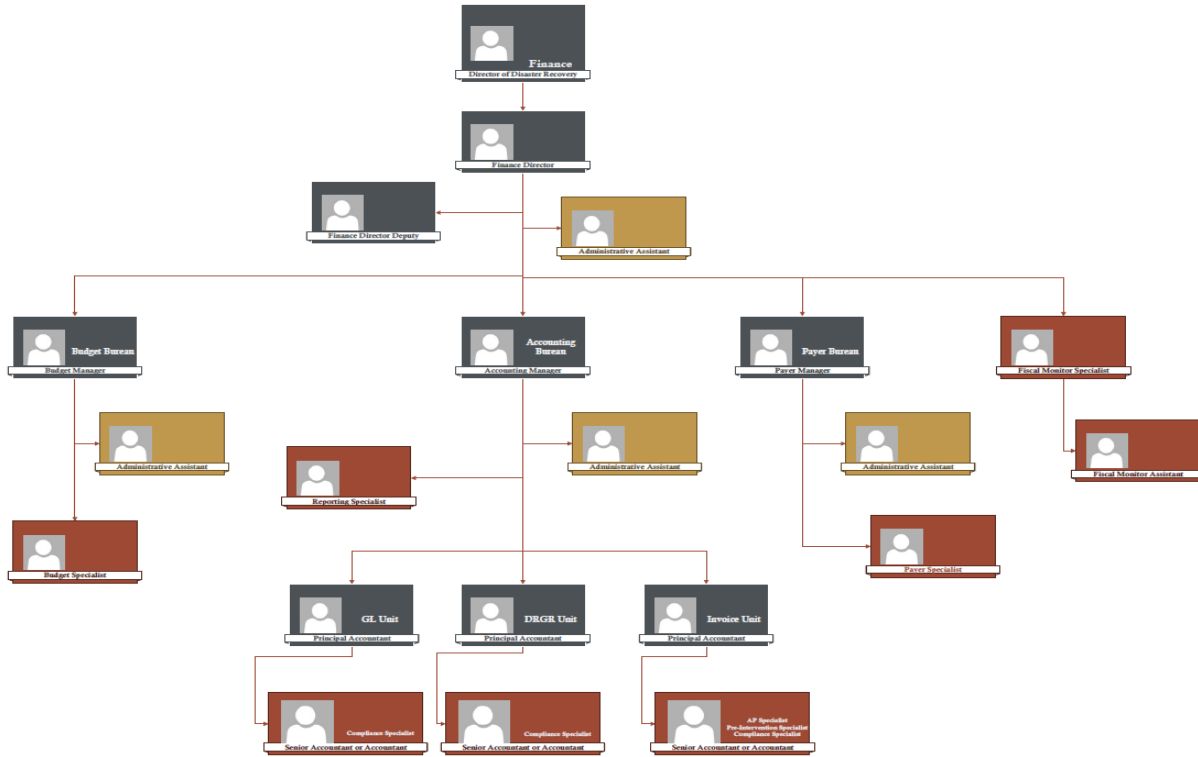


Figure 2: CDBG-DR/MIT Finance Division Organization Chart

The CDBG-DR/MIT Finance Division is divided into three (3) bureaus: Accounting, Budget, and Payer, with different management-level positions. The responsibilities and duties are separated and controlled by each bureau, as detailed below.

Budget Bureau	Accounting Bureau	Payer Bureau
<p>The Budget Bureau is responsible for functions pertaining to overall grant budget operations, budget projections, budget certifications, budget obligations, collaboration on procurement budget details, and general grant reporting.</p>	<p>The Accounting Bureau is responsible for functions pertaining to cash management (i.e., invoicing pre-intervention and approval), DRGR voucher request and approval, reconciliations (G/L, bank, DRGR, etc.), accountancy of fixed assets, closing accounting cycles, financial reporting, and vendor management.</p>	<p>The Payer Bureau is responsible for functions pertaining to treasury activities, payments to vendors, and management of cash receipts and payables.</p>

Table 3: CDBG-DR/MIT Finance Division Responsibilities

6.2.1 Oversight and Management

There are various levels of management oversight and approval to support the multiple approvals necessary to process the grant budget, vendor invoices, payments, DRGR vouchers, reconciliations, etc. Also, the management team reviews tasks and bureau functions periodically to ensure proper internal controls on the separation of duties are adequate and properly implemented.

6.2.2 Separation of Duties

The standards in this Policy are based on the general principle of separation of duties. The general concept of separation of duties includes that no single person shall have the authority to approve, execute, record a transaction, and have custody of any resulting assets. The following chart identifies the roles and responsibilities of the various CDBG-DR/MIT Finance Division positions.

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		Finance Division													
		Budget Bureau	Accounting Bureau							Payer Bureau					
Systems	User Roles	Budget Specialist	Budget Bureau Manager	Reporting Specialist	Invoice Unit		DRGR Unit		G/L Unit		Accounting Manager	Payer Specialist	Payer Manager	Finance Director or Designee	
					Accountant / Senior Accountant	Principal Accountant	Accountant / Senior Accountant	Principal Accountant	Accountant / Senior Accountant	Principal Accountant					
Task Description															
Yardi	Enter Grant Budget		X												
	Budget Analysis	X													
	Enter Certification of Funds (Create Contracts and PO's) < \$250,000	X													
	Approve Certification of Funds < \$250,000		X											X	
	Enter Certification of Funds (Create Contracts and PO's) > \$250,000	X	X												
	Approve Certification of Funds > \$250,000														X
	Obligate Funds (Approve Contracts and PO's)	X	X												
	Assigned Invoice to Workflow Approval Process			X											
	Review Invoices				X	X									
	Return Invoices to prior step			X	X	X									
	Approve Invoice					X									
	Rejected Invoices			X											
	Approve Invoice for paymet												X		
	Reviews and Create Payables											X			
	Return A/P to Invoice Review												X		
	Reviews and Commit Payables												X		
	Prepare and Process ACH Payment											X			
	Reconciliations								X	X					
	Create Journal Entries														
	Approve Journal Entries														
	Approve Reconciliations									X	X				
	Creates Charges/Receivables								X						
	Post Charges/Receivables									X					
	Bank	Upload ACH Report											X		
		Approve ACH Payment												X	
	DRGR	Set up Activity & Budget		X											
		Obligate Funds	X												
		Create Voucher (Draw) - Requester					X								
Approve/Reject Voucher (Draw)							X			X					
Submit DRGR Action Plan			X												
Submit DRGR QPR			X												
Approve User Access Requests												X			

Figure 3: Cross-reference Chart of User Positions and Yardi Users Roles

7 Accounting Records and Systems

7.1 Accounting Records

PRDOH established Yardi Voyager (**Yardi**) to maintain sufficient accounting records to clearly identify the source and use of CDBG-DR/MIT funds. The system was developed specifically for PRDOH CDBG-DR/MIT program employees and is administered by the CDBG-DR/MIT Finance Division. The Yardi accounting system includes, but is not limited to, the following elements:

- **Accounting Method** – The CDBG-DR/MIT Finance Division uses the cash-based accounting method for the CDBG-DR/MIT Program. The accrual method is used for end-of-year reporting as part of a Puerto Rico Government law requirement. The PRDOH financial statements consolidate multiple programs, including CDBG-DR, CDBG-MIT, PRPHA, Section 8, and others. Preparing the PRDOH Financial Statements follows the principles established in Statement No. 34 of the Governmental Accounting Standard Board.¹²
- **Chart of Accounts** – The Chart of Accounts (**COA**) is a financial and organizational tool that provides a complete listing of every account in the general ledger. Each account has a name and identification code, which breaks down into subcategories such as:
 - Assets;
 - Liabilities;
 - Revenues; and
 - Expenditures

In addition, to ensure that the budgets and expenditures for each CDBG-DR/MIT funded activity established in DRGR are tracked independently, the CDBG-DR/MIT Finance Division assigns a CDBG-DR/MIT activity code to each program that can be translated into the grant code, sector, activity, and national objective.

- **General ledger** – The General Ledger summarizes, in chronological order, the activity and financial status of all the accounts in Yardi and can be run for specific periods (e.g., monthly, quarterly, fiscal year, etc.) and desired accounts. Information is transferred to the general ledger after it is entered into the appropriate journal. Entries transferred to the general ledger are cross-referenced to the applicable journal to permit the tracking of any financial transaction.

¹² GASB 34 can be accessed at:
<https://gasb.org/page/ShowPdf?path=GASBS+34.pdf&title=GASB%20STATEMENT%20NO.%2034,%20BASIC%20FINANCIAL%20STATEMENTS%E2%80%94AND%20MANAGEMENT%27S%20DISCUSSION%20AND%20ANALYSIS%E2%80%94FOR%20STATE%20AND%20LOCAL%20GOVERNMENTS>

- **Reporting** – Yardi reports contain financial information reported in Yardi, including the financial position of the CDBG-DR/MIT Program grant and financial transactions performed to maintain the budget and overall financial assessment. The most used report is the Trial Balance report, which displays:
 - The balance of every account in the system, including funds received and disbursed by date and source, like a cash journal report and cash disbursements journal.
 - Payroll accounts to distinguish between expenses for payroll salaries and fringe benefits categories to ensure payroll costs are appropriately allocated to CDBG-DR/MIT accounts, similar to a payroll journal.

7.1.1 Source Documentation

All journal entries must be appropriately approved and supported by source documentation. Documentation must evidence that costs charged against CDBG-DR/MIT funds were:

- Incurred during the effective period of the CDBG-DR/MIT grant or the written agreement with PRDOH or for subrecipients and contractors;
- Verifiably paid out, or adequately accrued;
- Expended on eligible costs and within approved budgets; and
- Approved by the appropriate official(s) within the organization.

Source documentation must also explain the basis of the costs incurred and the actual dates and amount of the expenditure. For example:

- Source documentation for payroll includes but is not limited to employment letters, all authorizations for rates of pay, benefits, employee withholdings, employee timesheets signed by the employee and supervisor with activity descriptions, and the duration of time for the activity performed. For staff time charged to the CDBG-DR/MIT program activity time, attendance records should be available. If an employee's time is split between CDBG-DR/MIT and another funding source, time distribution records must support the allocation of charges among the sources.
- With respect to the cost of space and utilities, space costs must be supported by documentation such as rental or lease agreements. Bills from the utility companies will support utility costs. Both types of expenses will be supported by canceled checks. If the cost of space or utilities is split between the CDBG-DR/MIT program and other sources, there must be a reasonable method to allocate the charges fairly among the sources.
- Source documentation on supplies includes purchase orders, requisition forms initiated by an authorized representative of PRDOH, invoices from vendors, and

evidence of incurred costs and payment, such as a copy of the canceled check.

PRDOH and its subrecipients must ensure their accounting records and supporting documentation include reliable, up-to-date information on the sources and uses of CDBG-DR/MIT funds, including:

- Amount of federal grant awards received;
- Current authorizations and obligations of funds;
- Unobligated balances;
- Assets and liabilities;
- Program Income; and/or
- Actual expenditures

7.1.2 Subrecipient Accounting Records

Each subrecipient is responsible for ensuring that separate accounting records are maintained for CDBG-DR/MIT funds in its internal accounting system and records. These records should, to the extent possible, be developed to be consistent with PRDOH CDBG-DR/MIT general accounting and recordkeeping policies. Every subrecipient agreement contains provisions requiring adherence to 2 C.F.R. Part 200 and other financial management requirements. PRDOH ensures subrecipients maintain separate accounting records through monitoring and oversight by the PRDOH CDBG-DR/MIT Monitoring Division and applicable programmatic areas.

7.2 Financial and Programmatic Management Systems

In accordance with 2 C.F.R. § 200.302, the CDBG-DR/MIT Financial Division has financial management systems in place that provide effective control and accountability for all CDBG-DR/MIT funds, property, and other assets. Also, identify the source and use of funds for CDBG-DR/MIT funded activities, including records that:

- Verify the necessity, reasonableness, allowability, and allocability of costs;
- Verify that funds have not been used in violation of any CDBG-DR/MIT restrictions or prohibitions through budget controls and adequate accounting records;
- Permit the accurate, complete, and timely disclosure of financial results in accordance with HUD reporting requirements or, for subrecipients, PRDOH CDBG-DR/MIT reporting requirements contained in the subrecipient agreement;
- Minimize the time between the transfer of funds from the U.S. Treasury and disbursement by the PRDOH CDBG-DR/MIT or its subrecipients.

7.2.1 Yardi Voyager

The Yardi Voyager accounting system was developed specifically for the PRDOH CDBG-DR/MIT Program and is administered by the CDBG-DR/MIT Finance Division. The cloud-based accounting system adheres to GAAP and complies with financial reporting standards. The system allows for cash and accrual-based accounting, contains workflows that enforce separation of duties and document management, and allows customized account trees for any desired reporting. Also, the system provides for the preparation of budgets by CDBG-DR/MIT funded programs and activities, track obligations and expenditures, and the generation of DRGR vouchers ready for upload into the DRGR system.

Each user granted access to Yardi is limited to systems capabilities unique to that particular user's job duties using configured user roles, summarized in the Table below:

Table 4: Yardi Roles for Users

User Role	Description of Duties	Yardi Role	Yardi Access
Budget Specialist	Creates grant activities budget, separates funds for activities, and obligates written agreements (contract, MOU, SRA's, and purchase orders) in Yardi.	Budget Manager	Read/write to Budget, PO's and contracts
			Read/Write access to Invoice review
Budget Specialist	Separates funds for activities and obligates written agreements (contract, MOU, SRA's, and purchase orders) in Yardi.	Budget Analyst	Read/write to Budget, PO's and contracts
			Read/Write access to Invoice review
Accountant / Senior Accountant Accounts – Payable Specialist	Reviews and verifies that invoices and supporting documentation comply with regulations and contracts.	Pre-Intervention Specialist	Read/Write access to Invoice review
			Read/Upload access (attach documents to the invoice)
			Read/Write access to Invoice review
Reporting Specialist	Receives, reviews, and registers invoices based on invoice type. The invoice type initiates the appropriate Yardi workflow. Review vendor approval process within VendorCafe.	AP Clerk	Read/Write access (attach documents to the invoice)
			Read-only access to invoice, budget, and contract
			Read/Write access to vendor/supplier profile.

User Role	Description of Duties	Yardi Role	Yardi Access
Payer Specialist	Convert the approved invoice to payables. Process checks and EFT payments.	Payer Clerk	Read/Write access (attach documents to the invoice)
			Read-only access to invoice, vendor, budget, and contract
			Read/write access to process payments
Payer Manager	Commits payment and uploads the ACH file to the Bank.	Payer Manager	Read/Write access to commit payable
			Read-only access to invoice
Accountant / Senior Accountant – Compliance Specialist	Requests draw of funds and verify that the funds are deposited in the account. Performs reconciliation of bank statements and Yardi/DRGR systems, initiates stop payment or expired payment process based on findings from reconciliations.	Financial Analyst	Read/Write access to journal, bank reconciliation, and reports.
			Read-only access to invoices, budget, and payables
GL Unit Principal Accountant	Approves the draw of funds. Performs reconciliations as necessary.	Senior Accountant	Read/Write access to journal, bank reconciliation, and reports.
			Read-only access to invoices, budget, and payables
Finance Director / Deputy Director	Quality review and final approval at the Bank.	Finance Director	Read-only access to invoice, budget, payables, and contract
			Approval access to contract and Invoice

Reference: Yardi Voyager Manual

7.2.2 VendorCafe

VendorCafe is an online vendor portal integrated to the Yardi cloud-based accounting system. The portal allows CDBG-DR/MIT funded vendors (subrecipients, contractors, etc.) to submit invoices and supporting documentation to CDBG-DR/MIT Finance Division for review and approval. Also, the portal enables PRDOH to streamline communication with all vendors by providing real-time integration with Yardi so they can see the payment status and simplify their data maintenance.

To reduce risk, only approved vendors can register in the portal. Registration will require three steps: an invitation from PRDOH, completion and submission registration by the vendor, and subsequent approval by PRDOH. Once the submission of the vendor is approved, they can submit invoices and monitor invoice approvals online. The portal can also be used to monitor certifications, insurances, or active licenses.

VendorCafe provides users with a unique set of roles that can perform different tasks. These roles are used to give permissions that define a function within the portal. The available roles are:

- **Admin** – Admin roles can access all information and navigation tools inside of Yardi. As a primary role, the Admin oversees submitting invoices for contracts and editing profile information. There can be more than one Admin role per account. This role is assigned to a CDBG-DR/MIT employee.
- **CSV Invoice Only** – The Comma-Separated Values (**CSV**) Invoice is the only role that can upload and import invoices via CSV files but cannot perform invoice entries.
- **Invoice Only** – Similar to the CSV user, the Invoice Only role can create invoices using the Create/Upload Invoices features but cannot perform invoice entries. These can be uploaded via Manual Data Entry or by uploading a Portable Document Format (**PDF**).

Reference: VendorCafe Manual

7.2.3 Financial Dashboards

The CDBG-DR/MIT Program provides an at-a-glance view of key performance indicators relevant to the Program and its objectives through Financial Dashboards. These web-based Financial Dashboards are available through a secure web portal and are designed with assigned credentials to prevent unauthorized use of information. The data presented is updated daily from Yardi, providing an up-to-date tracking of the grant financial information and allowing customization to meet specific needs of a division, area, or the CDBG-DR/MIT Program. A view of the portal, which is for authorized personnel only, is shown in *Figure 4*.

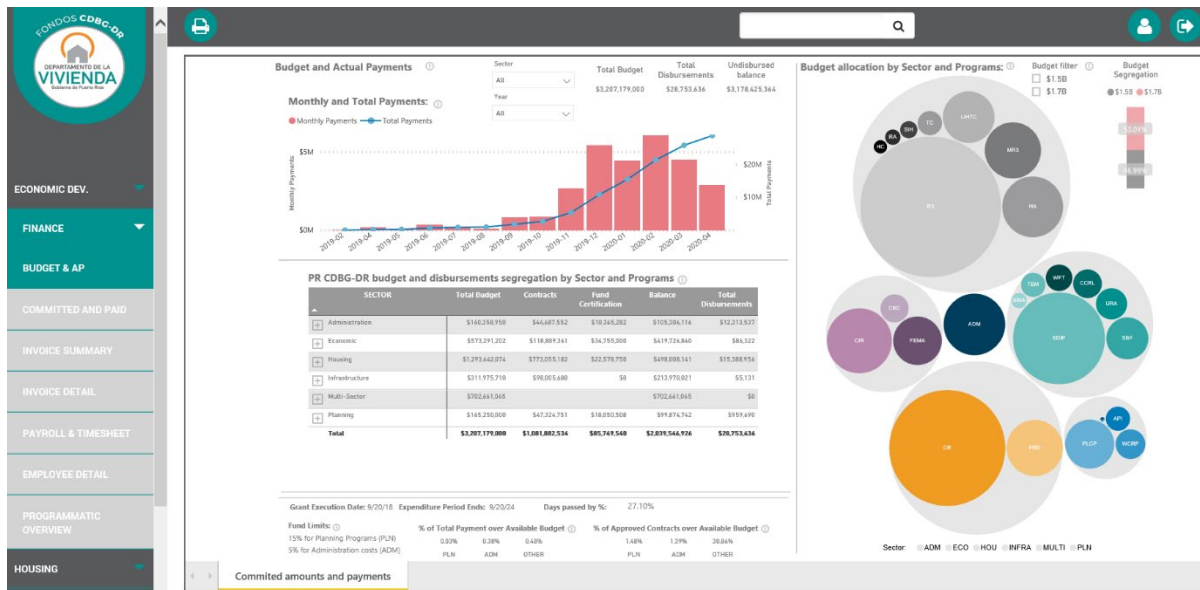


Figure 4: Finance Dashboard webpage view.

The dashboard presents multi reports such as:

- **Budget & AP:** A budget and actual payments dashboard with a presentation for Total Available Approved funds and Total Payments.
- **Committed and Paid:** A dashboard presentation for Total Available Approved funds, Total Committed Amounts, and Total Payments, by Sectors and Programs.
- **Invoice Status Summary:** A dashboard presentation of invoices in the Review Process, segregated by Workflow and Workflow Steps.
- **Invoice Detail:** Dashboard presentation of invoices in the Review Process.
- **Payroll & Timesheet:** A dashboard presentation for tracking timesheet completion by PRDOH CDBG-DR/MIT Employees and PRDOH CDBG-DR/MIT Payroll Reimbursements by status.
- **Employee Detail:** A dashboard presentation of PRDOH CDBG-DR/MIT Employees with missing timesheets.
- **Programmatic Overview:** A dashboard presentation for Total Available Approved funds, Total Approved Contracts, and Total Payments.

7.2.4 Canopy

Canopy is a web-based Grant Management System used for applicant intake, eligibility, award, budget and progress tracking, and several other program implementation tools. Canopy facilitates reporting outputs for contractors and subrecipients to substantiate

invoices for work performed during a specific period. No accounting transactions take place in Canopy.

All users with tasks handled in the Grant Management System must log in using personal and private credentials. The system recognizes this login to allow users to access, view, and operate within their task-specific domain. All users are required to Log out after each use for security purposes.

Reference: The Canopy User Manual

7.3 Yardi and DRGR Cross-Reference Coding

Yardi Voyager provides the feature to customize the job coding in the job cost module that tracks the grant budget, funding source, contracts and purchase order commitments, expenses, and tracking by cost category. To create a cross-reference between the Yardi and DRGR systems, the PRDOH designed a naming convention to use in both systems to facilitate reconciliations and reporting.

The developed naming convention creates a relationship between the following fields in the systems:

Job Code (in Yardi) = **Grantee Activity Number** (in DRGR)

The coding consists of the following sections:

Grant Code (Tranche) / Activity Type / Activity / Subrecipient / National Objective

3 fields / 1 field / 5 fields / "-" / 3 fields / "-" / 2 fields

Example:	r01p02crp-abc-na
Tranche ¹³	r01 = 1 st tranche Grant Code B-17-DM-72-0001
Activity Type	p = Planning
Activity	02cpr = Community Resilience Planning
Subrecipient	abc = ABC Puerto Rico
National Objective	na = Not Applicable

Figures 5 and 6 show a view of both systems:

¹³ The Grant Code (three fields) for the 2nd tranche will be r02 and for the CDBG-MIT will be mit.

Grantee: Puerto Rico
 Grant Number: B-17-DM-72-0001
 Program: DR CDBG
 Appropriation: 2017 Hurricanes Harvey, Irma and Maria
 Appropriation Code: 2017 HIM

Activity Title	Total Budget (PF&PI)	Total Obligation (PF&PI)	Grant Fund Disbursed (PF)	Percent Disbursed	Funds Available (PF + PI)
Administration	\$75,358,950.00	\$44,665,192.61	\$12,307,989.84	16%	\$63,050,960.16
Small Business Financing LMI	\$22,500,000.00	\$22,064,653.57	\$14,245.45	0%	\$22,485,754.55
Small Business Financing UN	\$52,500,000.00	\$51,484,508.96	\$33,556.68	0%	\$52,466,443.32
Business Incubators and Accelerators LMI	\$3,000,000.00	\$248,224.58	\$1,589.74	0%	\$2,998,410.26
Business Incubators and Accelerators UN	\$7,000,000.00	\$579,269.95	\$3,788.66	0%	\$6,996,211.34
Construction and Commercial Revolving Loan LM	\$10,500,000.00	\$10,297,755.52	\$7,755.52	0%	\$10,492,244.48
Construction and Commercial Revolving Loan UN	\$24,500,000.00	\$24,028,096.18	\$18,096.18	0%	\$24,481,903.82
Tourism & Business Marketing Program	\$15,000,000.00	\$9,080,631.53	\$6,766.10	0%	\$14,993,233.90
Strategic Projects and Commercial Redevelopment LM	\$0.00	\$0.00	\$0.00	0%	\$0.00
Strategic Projects and Commercial Redevelopment UN	\$0.00	\$0.00	\$0.00	0%	\$0.00
Repair, Reconstruction, Relocation Program LMI	\$794,291,550.00	\$630,780,676.33	\$14,184,916.73	2%	\$780,106,633.27
Repair, Reconstruction, Relocation Program UN	\$41,278,500.00	\$11,037.78	\$10,610.29	0%	\$41,267,889.71
Title Clearance Program LMI	\$25,000,000.00	\$21,217,527.35	\$240,503.85	1%	\$24,759,496.15
Rental Assistance Program LMI	\$10,000,000.00	\$1,028,897.51	\$3,494.95	0%	\$9,996,505.05
Mortgage Catch-Up Program LMI	\$0.00	\$0.00	\$0.00	0%	\$0.00
Mortgage Catch-Up Program UN	\$0.00	\$0.00	\$0.00	0%	\$0.00
Social Interest Housing LMI	\$12,500,000.00	\$1,283,878.30	\$2,016.46	0%	\$12,497,983.54
Housing Counseling Program LMI	\$7,500,000.00	\$5,161,717.36	\$167,878.69	2%	\$7,332,121.31
CDBG-DR Gap to LIHTC LMI	\$113,000,000.00	\$99,036,677.37	\$41,061.24	0%	\$112,958,938.76
Home Energy Resilience LMI	\$0.00	\$33.41	\$33.41	0%	-\$33.41
Non-Federal Match Program LMI	\$70,000,000.00	\$68,604,171.55	\$3,781.69	0%	\$69,996,218.31
Non-Federal Match Program UN	\$30,000,000.00	\$29,401,516.75	\$1,349.67	0%	\$29,998,650.33
Community Resilience Planning	\$37,500,000.00	\$36,777,989.99	\$416,236.82	1%	\$37,083,763.18
Agency Planning Initiatives	\$25,000,000.00	\$2,061,216.61	\$21,492.21	0%	\$24,978,507.79
Economic Recovery Planning	\$0.00	\$633.23	\$633.23	0%	-\$633.23
Home Resilience Innovation	\$750,000.00	\$63,614.36	\$15,449.62	2%	\$734,550.38
Program Management Planning	\$77,000,000.00	\$8,421,296.58	\$467,716.23	1%	\$76,532,283.77
Workforce Training Program LMI	\$18,000,000.00	\$615,732.72	\$313.94	0%	\$17,999,686.06
Workforce Training Program UN	\$12,000,000.00	\$410,488.47	\$209.28	0%	\$11,999,790.72
City Revitalization Program LMI	\$23,000,000.00	\$0.00	\$0.00	0%	\$23,000,000.00
City Revitalization Program UN	\$0.00	\$0.00	\$0.00	0%	\$0.00
Total	\$1,507,179,000.00	\$1,067,325,438.57	\$27,971,486.48	1.86%	\$1,479,207,513.52

Figure 5: DRGR Grant Funds Financial Summary - Activity Level by Project

JobCostReportDetail

Group By 1 = Job
 Job = dr2018
 Category Tree = ysl_JobCost
 Period = Jan 1900 - Apr 2020

Job	Job Description	Revised	Total	Uncommitted	Total Cost	Undisbursed	Undisbursed	% Complete
		Budget	Committed	Balance	To Date	Balance	Committed	
r01a01adm-doh-na	Administration	75,358,950.00	44,665,192.61	30,693,757.39	12,307,989.84	63,050,960.16	32,357,202.77	16.33
r01e15sbf-edc-lm	Small Business Financing LMI	22,500,000.00	22,064,653.57	435,346.43	14,245.45	22,485,754.55	22,050,408.12	0.06
r01e15sbf-edc-un	Small Business Financing UN	52,500,000.00	51,484,508.96	1,015,491.04	33,556.68	52,466,443.32	51,450,952.28	0.06
r01e16bia-edc-lm	Business Incub and Accelerators LMI	3,000,000.00	248,224.58	2,751,775.42	1,589.74	2,998,410.26	246,634.84	0.05
r01e16bia-edc-un	Business Incub and Accelerators UN	7,000,000.00	579,269.95	6,420,730.05	3,788.66	6,996,211.34	575,481.29	0.05
r01e17wtp-edc-lm	Workforce Training Program LMI	18,000,000.00	615,732.72	17,384,267.28	313.94	17,999,686.06	615,418.78	0.00
r01e17wtp-edc-un	Workforce Training Program UN	12,000,000.00	410,488.47	11,589,511.53	209.28	11,999,790.72	410,279.19	0.00
r01e18ccl-bde-lm	Const and Commercial Revolving LM	10,500,000.00	10,297,755.52	202,244.48	7,755.52	10,492,244.48	10,290,000.00	0.07
r01e18ccl-bde-un	Const and Commercial Revolving UN	24,500,000.00	24,028,096.18	471,903.82	18,096.18	24,481,903.82	24,010,000.00	0.07
r01e19tbm-edc-un	Tourism & Business Market Program	15,000,000.00	9,080,631.53	5,919,368.47	6,766.10	14,993,233.90	9,073,865.43	0.05
r01e20spr-edc-lm	Strategic Projects LM	0.00	0.00	0.00	0.00	0.00	0.00	0.00
r01e20spr-edc-un	Strategic Projects UN	0.00	0.00	0.00	0.00	0.00	0.00	0.00
r01h07m-doh-lm	RRR Program LMI	794,291,550.00	630,780,676.33	163,510,873.67	14,184,916.73	780,106,633.27	616,595,759.60	1.79
r01h07m-doh-un	RRR Program UN	41,278,500.00	11,037.78	41,267,462.22	10,610.29	41,267,889.71	427.49	0.03
r01h08tcp-doh-lm	Title Clearance Program LMI	25,000,000.00	21,217,527.35	3,782,472.65	240,503.85	24,759,496.15	20,977,023.50	0.96
r01h09rap-doh-lm	Rental Assistance Program LMI	10,000,000.00	1,028,897.51	8,971,102.49	3,494.95	9,996,505.05	1,025,402.56	0.03
r01h10mcp-afv-lm	Mortgage Catch-Up Program LMI	0.00	0.00	0.00	0.00	0.00	0.00	0.00
r01h10mcp-afv-un	Mortgage Catch-Up Program UN	0.00	0.00	0.00	0.00	0.00	0.00	0.00
r01h11sh-doh-lm	Social Interest Housing LMI	12,500,000.00	1,283,878.30	11,216,121.70	2,016.46	12,497,983.54	1,281,861.84	0.02
r01h12hcp-doh-lm	Housing Counseling Program LMI	7,500,000.00	5,161,717.36	2,338,282.64	167,878.69	7,332,121.31	4,993,838.67	2.24
r01h13lh-afv-lm	CDBG-DR Gap to LIHTC LMI	113,000,000.00	99,036,677.37	13,963,322.63	41,061.24	112,958,938.76	98,995,616.13	0.04
r01h14her-doh-lm	Home Energy Resilience LMI	0.00	33.41	-33.41	33.41	-33.41	0.00	0.00
r01i21fem-doh-lm	FEMA coordination LMI	70,000,000.00	68,604,171.55	1,395,828.45	3,781.69	69,996,218.31	68,600,389.86	0.01
r01i21fem-doh-un	FEMA coordination UN	30,000,000.00	29,401,516.75	598,483.25	1,349.67	29,998,650.33	29,400,167.08	0.00
r01m27cr-doh-lm	RRR Program City Revitalization LM	23,000,000.00	0.00	23,000,000.00	0.00	23,000,000.00	0.00	0.00
r01m27cr-doh-un	RRR Program City Revitalization UN	0.00	0.00	0.00	0.00	0.00	0.00	0.00
r01p02crp-fpr-na	Community Resilience Planning	37,500,000.00	36,777,989.99	722,010.01	416,236.82	37,083,763.18	36,361,753.17	1.11
r01p03api-pba-na	Agency Planning Initiatives	25,000,000.00	2,061,216.61	22,938,783.39	21,492.21	24,978,507.79	2,039,724.40	0.09
r01p04erp-edc-na	Economic Recovery Planning	0.00	633.23	-633.23	633.23	-633.23	0.00	0.00
r01p05hri-upr-na	Home Resilience Innovation	750,000.00	63,614.36	686,385.64	15,449.62	734,550.38	48,164.74	2.06
r01p06pmp-doh-na	Program Management Planning	77,000,000.00	8,421,296.58	68,578,703.42	467,716.23	76,532,283.77	7,953,580.35	0.61
Grand Total		1,507,179,000.00	1,067,325,438.57	439,853,561.43	27,971,486.48	1,479,207,513.52	1,039,353,952.09	1.86

Figure 6: Yardi Job Cost Report Detail (Job = Activity)

8 Cost Principles

8.1 Cost Allowability

Costs allowable under CDBG-DR/MIT must meet the following general criteria, as described in 2 C.F.R. § 200.402 through § 200.411:

- Be necessary and reasonable for proper and efficient performance and administration of CDBG-DR/MIT grant as noted under the provisions of 2 C.F.R. § 200.404;
- Conform to any limitations or exclusions set forth under the provisions of 2 C.F.R. § 200.408, federal laws, terms and conditions of the federal award, or other governing regulations as to types or amounts of cost items;
- Be consistent with policies, regulations, and procedures that apply uniformly to the CDBG-DR/MIT grant and other activities of PRDOH;
- Be accorded consistent treatment; a cost may not be assigned to the CDBG-DR/MIT Program as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Program as an indirect cost.
- Be determined in accordance with GAAP;
- Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by federal law or regulation (e.g., FEMA match is permitted);
- Be adequately documented;
- Be allocable to the CDBG-DR/MIT grant under the provisions of 2 C.F.R. § 200.405;
- Be net of applicable credits (that is, any credits such as discounts or price adjustments must be deducted from the total costs charged);
- Be authorized or not prohibited under state or local laws or regulations.

The regulations at 2 C.F.R. Part 200 also contain a “selected” list of costs that are allowable or unallowable (see “General Provisions for Selected Items of Cost,” 2 C.F.R. §200.420 through §200.475). However, the fact that an item of cost is not included does not mean the cost is unallowable. Rather the cost’s allowability is determined by reference to the basic guidelines.

8.2 Cost Classification and Allocation

Costs charged to the CDBG-DR/MIT Program must be allocable and classified to the CDBG-DR/MIT Program (2 C.F.R. § 200.405 and 2 C.F.R. §200.412). There is no universal rule for classifying certain costs as either direct or indirect. A cost may be direct with respect to some specific service or function but indirect with respect to the CDBG-DR/MIT Program; therefore, it is essential that each cost:

- It's treated consistently with other costs incurred for the same purpose in like circumstances either as a direct or an indirect cost to avoid possible double-charging of Federal awards (i.e., the PRDOH and its subrecipients must treat costs consistently for all grant programs); and
- Meet one of the following three (3) conditions:
 - Is incurred specifically for the CDBG-DR/MIT Program;
 - Benefits the CDBG-DR/MIT Program and other work and can be distributed in proportions that may be approximated using reasonable methods; and/or
 - It is necessary for the organization's overall operation, even if a direct relationship to any particular cost objective cannot be identified (e.g., indirect cost).

Any costs allocable to a particular federal award or cost objective (such as CDBG-DR/MIT) may not be charged to other federal awards to overcome funding deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the federal award, or other reasons.

Indirect costs are defined as those costs incurred for a common or joint purpose benefitting more than one cost objective and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.¹⁴ For a cost to be chargeable to the Program, it must be necessary, reasonable, allowable, and allocable pursuant to §200.403, §200.404, and §200.405, respectively.

HUD allows three (3) options for charging indirect expenses to the Program:

- 10% De Minimis Rate;
- Negotiated Indirect Cost Rate Agreement (**NICRA**); and
- Cost Allocation Plan

8.2.1 PRDOH Indirect Cost Rate

A Negotiated Indirect Cost Rate is a negotiated rate based on identified indirect costs between PRDOH and HUD. There are four (4) methods of calculating Indirect Cost Rates for States and Local Governments and Indian Tribes, as explained under 2 C.F.R. Part 200 Appendix VII Part C-1 to C-4:

- General;
- Simplified Method;
- Multiple Allocation Base Method; and
- Special Indirect Cost Rates

¹⁴ 2 C.F.R. § 200.1 – Indirect (facilities & administrative (F&A)) costs.

The Indirect Cost Rate Proposal (**ICRP**) must comply with 2 C.F.R. Part 200 Appendix VII – States and Local Government and Indian Tribe Indirect Cost Proposals.

8.2.2 Subrecipients Indirect Cost Rate

Subrecipients may allocate indirect costs to the CDBG-DR/MIT Program if permitted in its subrecipient agreement with PRDOH. Subrecipients may use the ten percent (10%) De Minimis Rate, Cost Allocation Plan (For states, local governments, and Indian tribes as per 2 C.F.R. § 200.416), or NICRA.

Reference:

Subrecipient Indirect Cost Evaluation SOP
Budgeting Indirect Cost Instructions for Subrecipients

8.3 Special Considerations for Certain Types of Costs

8.3.1 Pre-Award Cost

Although allowable by HUD in certain instances, the PRDOH has established a policy that pre-award costs are not eligible for reimbursement by the CDBG-DR/MIT Program.

8.3.2 Travel Expenses

The PRDOH CDBG-DR/MIT Finance Division is responsible for ensuring that all travel expenses allocated to the CDBG-DR/MIT grant by PRDOH employees, subrecipients, and contractors comply with federal and local requirements and are included in the written agreement when applicable.

The regulations at 2 C.F.R. Part 200 define travel costs as "...the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status or official business..."¹⁵; and require travel costs to be reasonable in their nature and amount¹⁶ and allocable to the CDBG/MIT grant¹⁷.

Travel costs may be charged on an actual cost basis, on a per diem or mileage basis, or a combination of methods provided the method used is applied to an entire trip and not to selected days of the trip and results in charges consistent with those typically allowed in PRDOH's non-CDBG-DR/MIT grant-funded activities in accordance with the standards contained in this policy.

Travel costs include, but are not limited to, mileage, meals, lodging, airfare, incidentals, and other eligible costs. Adequate supporting documentation must be provided to substantiate travel costs and ensure the costs are necessary and reasonable to the CDBG-DR/MIT Program.

PRDOH Employees

¹⁵ 2 C.F.R. § 200.475 – Travel cost.

¹⁶ 2 C.F.R. § 200.404 – Reasonable cost.

¹⁷ 2 C.F.R. § 200.405 – Allocable cost.

All travel costs charged to the CDBG-DR/MIT Program must comply with the CDBG-DR/MIT Official Business Travel Policy. The CDBG-DR/MIT Official Business Travel Policy provides guidelines for traveling orders, subsistence expenses, lodging, transportation, personal vehicle use, phone expenses, receipts, and others.

In addition to local regulations, travel costs must be allowable per 2 C.F.R. Part 200, necessary, allocable (associated with a project or administration), and reasonable (e.g., first-class airfare is generally not allowable).

Travel costs may be paid in advance directly by PRDOH, advanced to CDBG-DR/MIT staff, or reimbursed after the employee returns from travel. The Government of Puerto Rico's travel regulations do not allow for temporary dependent costs reimbursement.

Reference:

CDBG-DR/MIT Official Business Travel Policy

Subrecipients and Regular Vendors

Subrecipients and regular vendors must develop and implement travel expense policies compliant with this policy or adopt the Department of Treasury of Puerto Rico Regulation No. 37 Traveling Expenses Regulation and No. 38 Travel Abroad. Travel expenses and supporting documentation are reviewed for compliance during the monthly invoice review process.

8.4 Cost Principles Applicable to Subrecipients

The PRDOH CDBG-DR/MIT Finance Division ensures that costs incurred by the State and by its recipients are in conformance with 2 C.F.R. Part 200, subpart E. All cost items described in 2 C.F.R. Part 200, Subpart E, that require Federal agency approval are allowable without prior approval of HUD, to the extent that they otherwise comply with the requirements of 2 C.F.R. Part 200, Subpart E, and are otherwise eligible, except for the following:

- Depreciation methods for fixed assets shall not be changed without the express approval of the cognizant Federal agency (2 C.F.R. § 200.436);
- Fines, penalties, damages, and other settlements are unallowable costs to the CDBG-DR/MIT program (2 C.F.R. § 200.441), with limited exceptions;
- Costs of housing (e.g., depreciation, maintenance, utilities, furnishings, rent), housing allowances, and personal living expenses (goods or services for personal use) regardless of whether reported as taxable income to the employees (2 C.F.R. § 200.445); and
- Organization costs (2 C.F.R. § 200.455).

9 Budget

The PRDOH CDBG-DR/MIT budget is governed by:

- Regulations that accompany PRDOH CDBG-DR/MIT grant funds awarded by HUD in various Federal Registers;
- Certifications and Implementation Plan submitted to and approved by HUD in accordance with 83 FR 5844, 83 FR 40414, 85 FR 4681, 85 FR 4676, and subsequent Federal Registers applicable to additional CDBG-DR/MIT allocations;
- Grant conditions contained in the First¹⁸ and Second¹⁹ grant agreements with HUD; and
- CDBG-DR/MIT Action Plan and amendments to the Action Plan submitted to and approved by HUD.

9.1 CDBG-DR/MIT Action Plan

The PRDOH develops the CDBG-DR/MIT Action Plan upon publication of a CDBG-DR/MIT award in the Federal Register. Based on the need analysis contained in the CDBG-DR/MIT Action Plan, budgets by eligible activities (e.g., administration, housing, etc.) are developed, and after a citizen participation process, the CDBG-DR/MIT Action Plan is submitted to HUD for approval. Upon approval by HUD, the CDBG-DR/MIT Finance Division is notified, and budgeting begins. The budgets in the CDBG-DR/MIT Action Plan are high-level, and PRDOH may allocate funds to several vendors and programs in accordance with the budgets in the CDBG-DR/MIT Action Plan.

Should additional funds be needed above the amount contained in the CDBG-DR/MIT Action Plan, as amended,²⁰ PRDOH must amend the CDBG-DR/MIT Action Plan per its citizen participation requirements and resubmit it to HUD for approval. The CDBG-DR/MIT Finance Division is consulted when modifications to CDBG-DR/MIT Action Plan budgets are considered. These ensure that the CDBG-DR/MIT Finance Division has the most up-to-date budget, the Chart of Accounts and category codes are set up correctly, and financial reporting is consistent with modified budgets. The Budget Bureau is responsible for the grant Action Plan activity detail based upon an approved CDBG-DR/MIT Action Plan and setup in both DRGR and Yardi.

Reference:

DRGR Action Plan Budget SOP
Yardi Budget SOP

¹⁸ <https://recuperacion.pr.gov/en/download/cdbg-dr-grant-agreement-1-5b/>

¹⁹ <https://recuperacion.pr.gov/en/download/cdbg-dr-grant-agreement-1-7b-8-2b/>

²⁰ The CDBG-DR/MIT Action Plans, as amended, can be found in English and Spanish at <https://recuperacion.pr.gov/en/action-plans/> and <https://recuperacion.pr.gov/planes-de-accion/>.

9.2 Budget Caps

The amount of PRDOH CDBG-DR/MIT funds used for certain activities and services are subject to caps established by federal regulations. The following requirements govern budgets and expenditures for administration, planning, and public service costs.

- In accordance with the 83 FR 5844, 83 FR 40314, 85 FR 4681, and subsequent Federal Registers applicable to additional CDBG-DR/MIT allocations, no more than five percent (5%) of the grant award (plus program income) may be used for administrative costs;
- In accordance with 24 C.F.R. § 570.201 (e), no more than fifteen percent (15%) of the total amount of CDBG-DR/MIT funds awarded will be used for Public Services; and
- In accordance with the 83 FR 5844, 83 FR 40314, 85 FR 468, and subsequent Federal Registers applicable to additional CDBG-DR/MIT allocations, no more than fifteen percent (15%) of the grant award may be used for planning costs.

Budget caps are included in the operational budgets monitored with reports and dashboards. The maintenance and update of these allocations are performed through the monthly reconciliation process and month-to-date actual expenses reports.

9.3 Operating Budget

The budget is developed based on the authority provided in the Federal Register of a specified declared natural disaster. The cognizant agency will publish a Federal Register and subsequently issue a funding letter from which the budget is developed in accordance with an approved Action Plan. The Disaster Recovery and Mitigation operating budget is developed from the published Action Plan budget. The budget expands upon the funds set aside for Administrative purposes, and funds are projected out for the life of the program.

The PRDOH CDBG-DR/MIT operating budget includes, but is not limited to, the following budget categories:

- Salaries and Wages;
- Other personnel costs;
- Professional fees and services;
- Consumable supplies;
- Utilities;
- Travel;
- Rent;
- Other operating expenses;
- Capital expenditures;
- Fringe; and
- Indirect.

9.4 Subrecipient Agreement and Regular Contract Budgets

The Budget Bureau is responsible for maintaining regular contracts and subrecipient agreement budgets. Prior to proceeding with a procurement or subrecipient agreement, the CDBG-DR/MIT Procurement or CDBG-DR/MIT Legal Division must obtain a Certification of Funds from the Budget Bureau. Once the procurement or subrecipient agreement is finalized, the CDBG-DR/MIT Legal Division must request a final Certification of Funds from the Budget Bureau. The final Certification of Funds details financial data related to DRGR, Yardi, and budget. The certifications and obligations are structured and controlled through Yardi. The certification and obligation process ensures compliance with federal, state, and local regulations, funds availability, accurate financial reporting, and recordkeeping.

Reference:

- Contract Budget Certification SOP
- Purchase Order Budget Certification SOP
- Budget Obligation SOP

9.5 Budget Modifications

When necessary, adjustments to written agreement budgets are classified as Budget Amendments or Internal Budget Reclassifications.

- A Budget Amendment may include an increase or decrease in budget amounts and/or a reclassification of expense categories triggered by provisions or amendments of written agreements. The programmatic area works closely with the CDBG-DR/MIT Legal Division on the steps necessary to allow for a budget amendment, and once finalized, the CDBG-DR/MIT Legal Division contacts the Budget Bureau for a final budget certification. Upon an approved certification of funds from the Budget Bureau and acceptance of the budget by the CDBG-DR/MIT Legal Division, both DRGR and Yardi are updated by the Budget Bureau.
- An Internal Budget Reclassification is a reclassification of expense categories that does not increase or decrease a budget or require an amendment to a written agreement. During an internal reclassification of a written agreement budget, the Budget Bureau generates a request to reclassify budget amounts within the approved category codes for approval by the Finance Director, Accounting Manager, or designee. The budget modification occurs automatically in Yardi upon approval by the Finance Director, Accounting Manager, or designee.

Reference:

- Contract Budget Modification – Amendment SOP
- Contract Budget Modification – Internal SOP

9.6 Budget Projections and Expenditures

The 83 FR 5844, 83 FR 40314, 85 FR 4676, and subsequent Federal Registers applicable to additional allocations requires PRDOH to submit projected expenditures and outcomes with its CDBG-DR/MIT Action Plan. PRDOH will provide projections for CDBG-DR/MIT on a quarterly basis. The projections must be based on each quarter's expected performance—beginning with the quarter funds are available to PRDOH and continuing each quarter until all funds are expended. The Budget Bureau meets with the programmatic areas on a quarterly basis to:

- Discuss and update program spending targets and budget projections.
- Evaluate progress toward achieving spending targets and ensuring the timely expenditure of funds.

Actual disbursements will be updated monthly. Projections will be updated if changes to the budgets are necessary if, for example, a CDBG-DR or CDBG-MIT Action Plan amendment transfers funds among programs or if budgets or timelines are modified based on program performance.

Reference:

Projections of Expenditures and Outcomes SOP

10 Cash Management

10.1 Vendor Invoicing

The PRDOH CDBG-DR/MIT Finance Division utilizes subrecipients and contractors to implement various CDBG-DR/MIT funded programs and projects. Subrecipients and contractors must adhere to the regulations in 2 C.F.R. Part 200, and establish appropriate internal controls to manage their agreed and contractual activity, ensuring compliance.

The PRDOH CDBG-DR/MIT Finance Division receives invoices from all vendors through VendorCafe, except in certain instances outlined in the Limited Exceptions to VendorCafe section and the PRDOH Payroll Processing section. Once submitted by the vendor in VendorCafe, the invoice is uploaded directly to Yardi, and a notification is sent to the CDBG-DR/MIT programs and finance staff for processing.

10.1.1 Contract, Purchase Orders, and Vendor Setup

To proceed with invoicing, each vendor must have a written agreement (Purchase Orders, Contract, MOU, or Subrecipient Agreement²¹) and complete the vendor setup process in VendorCafe.

The PRDOH CDBG-DR/MIT Finance Division will regularly maintain oversight of vendors' banking information, compliance with local regulations, certifications, insurance, etc.,

²¹ 24 C.F.R. 570.503 (a) – Agreements with subrecipients.

and update VendorCafe regularly to ensure vendors remain compliant with local and federal regulations.

Reference:

Approval of Vendor Registration SOP

10.1.2 Invoice Preparation

PRDOH provides initial and ongoing training to all vendors on how to complete CDBG-DR/MIT invoice forms and use VendorCafe properly. All invoices must include completed CDBG-DR/MIT forms, supporting documents, and Canopy Reports, if applicable. The invoice submission process is outlined in the references below and available to all PRDOH CDBG-DR/MIT vendors.

Reference:

Invoice Guide for Contractors

Invoice Package Instructions for Contractors Instructions

Invoice Package Instructions for Non-Contractors Instructions

VendorCafe Manual

Limited Exceptions to VendorCafe

The VendorCafe portal was acquired to provide a tool for vendors to submit all vendor's invoices. Any invoice received prior to VendorCafe implementation, however, is processed under separate procedures, governed by the Invoice Review and Approval SOP active at that moment. The procedures can be utilized if VendorCafe is experiencing a technical issue preventing the invoice submission process. All exceptions must be previously discussed and approved by the PRDOH CDBG-DR/MIT Finance Director.

Subrecipients Fringe Benefits

Fringe benefits are defined as "...allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages..."²². Fringe benefits include but are not limited to: cost of leave (sick leave, vacations, military leave, administrative leave, family leave, and others), employee insurances (e.g., medical insurance, retirement, workman compensation, social security, Medicare), and unemployment benefits (e.g., state unemployment and disability insurance). Costs of fringe benefits for employees of PRDOH CDBG-DR/MIT and subrecipients agencies²³ are allowable expenditures provided that the benefits are reasonable and are required by law, established employee agreements, or established policy.

Direct Cost

²² 2 C.F.R. § 200.431– Compensations- Fringe Benefits.

²³ For subrecipients fringe benefits must also be authorized by the executed agreement between PRDOH and the subrecipient.

Fringe benefits of employees who work directly on a CDBG-DR/MIT activity/program are considered part of the direct cost of the employee's compensation²⁴. They should be recorded as CDBG-DR/MIT costs in percentages equivalent to the employee's allocation to CDBG-DR/MIT and/or cost category. For example, if an employee dedicated eighty percent (80%) of their time to the CDBG-DR/MIT program during the pay period, payment of fringe benefits is only allowable at eighty percent (80%) of the total fringe cost. The same equivalent allocation methodology applies to the cost category. For example, if eighty percent (80%) of the employee's time is classified as activity delivery costs, eighty percent (80%) of fringe benefits should be classified as activity delivery costs.

Indirect Costs

If indirect costs are permitted in the subrecipient agreement, fringe benefits are also allowable as indirect costs as part of an approved Indirect Cost Rate or Cost Allocation Plan in-lieu of being charged as direct costs. If the ten percent (10%) De Minimis rate is used, fringe benefits are included as part of the Modified Total Direct Cost (**MTDC**) Rate.

Requirements for Reimbursement

Subrecipients may include reimbursement for their employee's compensation²⁵, including allowable fringe benefits, for implementing and carrying out specific eligible CDBG-DR/MIT activities. To support the allowability of fringe benefits included in agreements, subrecipients must submit applicable fringe benefit policies or employee agreements. The 2 C.F.R. § 200.431 Compensation – Fringe Benefits outlines federal regulations related to the allowability of some specific types of fringe benefits. Benefits outlined in subrecipient policies or employment agreements that are not explicitly addressed in 2 C.F.R. § 200.431 are subject to the approval of PRDOH.

To be reimbursed for fringe benefits, subrecipients must have a budget line item in their agreement with PRDOH for staffing reimbursement and fringe benefits and must request employee compensation for their CDBG-DR/MIT Program. All requests for reimbursement of employee compensation, including fringe benefits, by the subrecipient must have been allocated to the specific time and percentage dedicated to CDBG-DR/MIT Program and adequately supported by documentation. Fringe benefits may be presented in various reports; the most common are payroll distributions reports, payroll stubs, or any custom form that includes the breakdown of hours worked, hourly rates, and/or salaries.

Invoices submitted that contain fringe benefits must include the following supporting documents:

²⁴ 2 C.F.R. § 200.413 – Direct Cost.

²⁵ CPD Notice 13-07 <https://files.hudexchange.info/resources/documents/Notice-CPD-13-07-Allocating-Staff-Costs-Program-Administration-Delivery-Costs-CDBG.pdf>

- Timesheets of employees with specific work performed on a daily basis, allocated time per day, employee name, position, and a total of hours worked for the period. All activities must fall within an allowable cost category (Administration, Planning, and/or Activity Delivery) included in the contract.
- Evidence of fringe benefits invoiced for the employees or a certification that indicates benefits have been paid or are scheduled for payment.²⁶

Subrecipients are responsible for maintaining evidence of payments (e.g., canceled checks, bank statements) to staff in their record. Evidence shall be made available to PRDOH upon request for monitoring and/or auditing.

10.1.3 Invoice Approval

Upon receipt of an invoice in VendorCafe, invoices are first reviewed by the programmatic area for eligibility in accordance with the written agreement and budget. Once the programmatic step is successfully completed, the invoice is transmitted to the PRDOH CDBG-DR/MIT Finance Division for final review, approval, and payment. A SAM²⁷ and Limited Denial of Participation checks will be performed before approval and payment of the first invoice.

At any stage in the process, an invoice may need to be corrected by the vendor that submitted the invoice if, for example, the invoice was missing adequate supporting documentation or contained math errors. If the invoice is not corrected in a timely manner, or if the errors are significant, the invoice will be rejected for payment. The PRDOH CDBG-DR/MIT Finance Division will make every effort to work closely with each vendor to enable corrections to invoices for timely re-submission. If an invoice is rejected by the PRDOH CDBG-DR/MIT Finance Division, the vendor may resubmit the invoice via VendorCafe.

Reference:

- Contractor Invoice Review SOP
- Non-Contractor Invoice Review SOP
- Payroll Reimbursement Invoice Package Review SOP
- Finance Invoice Review and Approval SOP

10.1.4 Payment Processing

The Payer Bureau manages the payment process and ensures payments are made in a timely manner. Yardi alerts the Payer Bureau once an invoice is approved for payment. Each approved invoice is selected by the Payer Bureau and converted to an account

²⁶ In Puerto Rico, depending on the fringe benefits, these may be paid annually, semiannually, quarterly or in a monthly basis.

²⁷ PRDOH performs a SAM check prior to entering any written agreement with a vendor.

payable. Once posted to the appropriate account, the accounts payable is committed, and processed for payment.

Payments may be held if a vendor has an outstanding debt with PRDOH, issues with requirements (i.e., insurance), written agreement provisions (contract, MOU's, SRA's, purchase orders, etc.), subcontractors' claims, or compliance issues with federal, state, and/or local regulations.

References:

Invoice Payment Preparation and Disbursement SOP
Aging Payment SOP

Electronic Funds Transfer

Upon approval of an invoice, the Payer Bureau will issue payments via an electronic funds transfer (EFT). Nearly all payments are issued via EFT. Checks may be issued in lieu of EFT in certain instances.

Check Processing

If a vendor has a non-active EFT, a check will be generated and held until CDBG-DR/MIT funds are received from the U.S. Treasury Department. Once the CDBG-DR/MIT funds are posted in Yardi, the Payer Bureau collects authorized signatures and releases the check to the vendor within three (3) business days.

Improper Payment

An improper payment is any payment that should not have been made, or that was made in an incorrect amount, such as a payment unsupported by invoices, contracts, or purchase orders, payments for an ineligible service, advances without prior approval, or payments for services not received. If an improper payment is identified through the reconciliation process, the CDBG-DR/MIT Finance Division shall take the following corrective action(s):

- The contractor shall be informed via a certified letter sent within 5-10 business days from the date of discovery of an improper payment;
- The letter will detail the rationale for the improper payment and corrective action needed to either correct or repay the funds;
- If funds are owed, the CDBG-DR/MIT Finance Division will manage cash receipts in accordance with this document and federal regulations;
- Yardi and DRGR will be corrected, as necessary; and
- Additionally, PRDOH will evaluate its invoice review and payment processes to reduce or eliminate future improper payments.

- Aligned all procedures with the Recapture of Funds Policy²⁸.

Reference:

Improper Payment SOP

10.1.5 Requesting Funds from U.S. Treasury

Disbursement in a Timely Manner

PRDOH and its subrecipients are required to have procedures in place to minimize the amount of time that elapses between receipt of CDBG-DR/MIT funds and the actual disbursement of those funds in accordance with 2 C.F.R. §200.305(b) and 31 C.F.R. §205. This requirement is intended to curtail unnecessary drawdowns of CDBG-DR/MIT funds and minimize the cost of financing the CDBG-DR/MIT Program by the federal government.

There are four general methods available to transfer CDBG-DR/MIT funds from the U.S. Treasury to the PRDOH (or from the PRDOH to a subrecipient):

- **Reimbursement method** - The reimbursement method, the preferred method, entails a transfer of non-CDBG-DR/MIT funds to the PRDOH (or subrecipient) based on actual expenditures of the PRDOH prior to the receipt of CDBG-DR/MIT funds.
- **Cash advance method** - The cash advance method involves the transfer of CDBG-DR/MIT funds to the PRDOH (or subrecipient) to meet obligations before actual cash disbursements have been made.
- **Working capital advance method** - The subrecipient is advanced cash to meet its estimated disbursements for an initial period. After the initial period, the subrecipient will receive cash on a reimbursement basis. This method is used when the subrecipient lacks sufficient working capital. Note, however, that this method cannot be used if the reason for using it is the unwillingness or inability of the PRDOH to provide timely advances to the subrecipient to meet the subrecipients' actual cash disbursement.
- **Project Implementation Advance Funding (PIAF)**: The Subrecipients request the PIAF with a justification, certification and acknowledgment, and Expenditure Plan. They could be advanced cash up to 25% of the SRA to meet their implementation cash needs for CDBG-DR and CDBG-MIT projects. This PIAF will

²⁸ The Recapture of Funds Policy is available in English and Spanish at: <https://recuperacion.pr.gov/en/download/recapture-of-funds-policy/> and <https://recuperacion.pr.gov/download/politica-de-recaptura-de-fondos/>.

be monitored by PRDOH Fiscal Monitors for any improper payment identification.

Requirements concerning cash management include the following:

- PRDOH and its subrecipients must include accurate information in drawdown requests. Funds drawn down erroneously must be returned (this includes funds drawn down under the cash advance method where the expenditure of funds is delayed by more than three (3) business days).
- Disbursement of funds must occur in a timely manner. While there is no explicit time period, the general rule is that payment must take place within three (3) business days of CDBG-DR/MIT funds deposits. If payment takes longer than three (3) business days, written justification should be maintained in the files.
- Interest income generated due to grant advances placed in an interest-bearing account in excess of five hundred dollars (\$500) must be remitted to the U.S. Treasury²⁹.
- Program Income (other than Program Income deposited in a revolving fund) must be disbursed prior to the drawdown of additional funds from the U.S. Treasury (or, in the case of subrecipients, from PRDOH).

Program Income in a revolving fund must be disbursed for the activity for which the fund was established before new requests are made for CDBG-DR/MIT funds.

DRGR Drawdowns

After the Payer Bureau issues payments, the Accounting Bureau creates a drawdown in the DRGR system to initiate a wire transfer from U.S. Treasury to PRDOH's local bank account in accordance with the approved CDBG-DR/MIT grant agreement:

- An employee designated by the PRDOH with drawdown creation user rights shall not have drawdown approver rights and vice versa.
- In the event of a DRGR voucher revision, the drawdown user shall be responsible for setting up the request in the DRGR system. A separate drawdown approver shall then be responsible for approving the request.

Any adjustments to a previously approved drawdown in DRGR shall be in writing with the proper justification noted on and/or attached to each request. These adjustments shall also be made to the PRDOH's internal financial records.

Reference:

DRGR Draw of Funds SOP

²⁹ 2 C.F.R. § 200.305(a)(b)(9).

Processing of U.S. Wire Transfer

Wire transfers from HUD are sent in one single payment that contains all drawdowns processed by DRGR and LOCCS at the end of each business day. Therefore, a wire transfer may contain reimbursement for costs across several programs and accounts. Once a wire transfer from U.S. Treasury is confirmed to be deposited in the PRDOH local account, the Accounting Bureau posts the revenue to the accounts that recorded payments and for which the DRGR vouchers were generated.

Lump-Sum Drawdowns

HUD allows CDBG-DR/MIT grantees, such as PRDOH, to draw funds from the line of credit in a lump sum to establish a rehabilitation fund in one or more private financial institutions to finance the rehabilitation of privately-owned properties. The fund may be used in conjunction with various rehabilitation financing techniques, including loans, interest subsidies, loan guarantees, loan reserves, or such other uses as may be approved by HUD consistent with the objectives of this section. The fund may also be used for making grants, but only for the purpose of leveraging non-CDBG funds for the rehabilitation of the same property.

The PRDOH does not make lump drawdowns. If this policy changes, the PRDOH will develop policies and procedures prior to requesting a lump sum drawdown.

Procedures to Determine Timely Expenditures

The Yardi system will be used to track and report on the timeliness of PRDOH Expenditures and its Drawdowns from HUD in an effort to minimize the time between its receipt of funds and expenditures. Both the receipt and disbursement of funds from HUD are maintained in the system, and reports are used to evaluate timely disbursement. At a minimum, PRDOH performs monthly evaluations on daily drawdown reports to evaluate the timely disbursement of funds.

Reference:

Evaluation of Timely Disbursement of Funds SOP

PRDOH has developed timelines and program review processes to ensure that all funds are expended and drawn by the Grant's deadline established by HUD. Usage of funds throughout the grant life cycle is subject to published timelines, which are also included in the subrecipients' and vendors' agreements/contracts. During select review meetings, timelines are evaluated and adjusted accordingly. Subrecipients are required to submit monthly reports with progress on assigned funds.

Reference:

Projections of Expenditures and Outcomes SOP

10.1.6 Other Forms of Collection or Payment

Cash Collection and Disbursement

The PRDOH CDBG-DR/MIT Program does not collect cash payments. If this policy changes, the PRDOH CDBG-DR/MIT Program will develop policies and procedures prior to collecting and making cash payments.

Credit Cards

The PRDOH CDBG-DR/MIT Program does not issue credit cards to its employees for use in conducting official business on behalf of PRDOH or for any reason. If this policy changes, the PRDOH CDBG-DR/MIT Program will develop policies and procedures prior to issuing credit cards.

10.2 PRDOH Payroll Processing

All payroll-related functions, including payment of salaries and wages, changes in salary information, tax status, or benefit and/or deduction calculations, are administered by the PRDOH Payroll Division and CDBG-DR/MIT Human Resources Area in the CDBG-DR/MIT Operations Division. The PRDOH Payroll Division manages payroll agency-wide, not just the CDBG-DR/MIT program. Only the PRDOH Payroll Division has access to the electronic payroll records.

To process payroll, the PRDOH Payroll Division receives all documentation related to employee's time off, tax exemptions, or any other information that would affect the employee's payroll from the CDBG-DR/MIT Human Resources Area. The most current signed Form W-4 is used to calculate payroll deductions and withholdings and kept in the employees' personnel file in secured locations. All changes to an employee's payroll status, including but not limited to position, range, step, benefits, or budgetary accounts, must be provided by the CDBG-DR/MIT Human Resources Area and sent to the PRDOH Payroll Division to update records.

Pay periods are designated at the beginning of each fiscal year, and payroll is processed bi-weekly basis. Each employee completes a paper timesheet (non-digital) with the hours worked during the designated two-week period and activity descriptions. Each timesheet is signed by the employee and the employee's supervisor or division's head. Timesheets are sent directly to the CDBG-DR/MIT Human Resources Area for accuracy review and recordkeeping.

To charge payroll costs to the CDBG-DR/MIT Program, a payroll reimbursement invoice is prepared by the CDBG-DR/MIT Operation Division using accounting records provided by the Department of Treasury of Puerto Rico and timesheets from the CDBG-DR/MIT Human Resources Area. The payroll invoice is sent to the CDBG-DR/MIT Finance Division for review and approval and is processed like all other vendor invoices.

References:

Payroll Reimbursement Invoice Preparation SOP
Timekeeping for Grant Staff SOP

11 Program Income

Program income refers to the gross income received by PRDOH and its subrecipients generated from CDBG-DR/MIT funded activities. PRDOH CDBG-DR/MIT Finance Division's source for program income topics is included in the current **CDBG-DR/MIT Program Income Policy**. The **CDBG-DR/MIT Program Income Policy** is available in English and Spanish on the PRDOH website at <https://recuperacion.pr.gov/en/resources/policies/general-policies/> and <https://recuperacion.pr.gov/recursos/politicas/>.

12 Revolving Funds

The PRDOH CDBG-DR/MIT Finance Division could establish revolving funds and allow subrecipients to establish revolving funds. PRDOH CDBG-DR/MIT Finance Division's source for revolving funds topic is included in the current **CDBG-DR/MIT Program Income Policy**. The **CDBG-DR/MIT Program Income Policy** is available in English and Spanish on the PRDOH website at <https://recuperacion.pr.gov/en/resources/policies/general-policies/> and <https://recuperacion.pr.gov/recursos/politicas/>.

13 Reconciliations

The PRDOH and its subrecipients must have procedures in place to reconcile accounts and reports by comparing revenues and expenditures against disbursements for CDBG-DR/MIT funded activities. The PRDOH and its subrecipients must:

- Maintain in its accounting records the amounts budgeted for eligible activities;
- Compare actual obligations and expenditures to date against planned obligations and expenditures; and
- Report deviations from budget and program plans and request approval for budget and program plan revisions.

Reconciliations are performed monthly and quarterly to ensure that the accounting records in Yardi, DRGR, and banking systems are complete and accurate. The Accounting Manager shall approve all adjustment transactions.

13.1 Yardi to DRGR Reconciliation

The Yardi and DRGR accounts shall be reconciled on a monthly basis to ensure the accounts reconcile and quarterly to validate the reconciliation for the preceding three (3) months. The reconciliation includes but is not limited to the evaluation of cash receipts, expenses, adjustments to the general ledger, and Program Income. If a discrepancy is

identified during the reconciliation process, the Accounting Bureau shall determine which system requires correction, document the corrective actions taken, and make the necessary adjustments in Yardi and/or DRGR.

With respect to budgets, a reconciliation between Yardi and DRGR will also be completed monthly and quarterly. This budget control ensures that budget and obligated amounts derived from either Action Plan modifications, contract budgets, or budget modifications are accurately accounted for in both systems.

Reference:

Yardi and DRGR Activity Level Reconciliation SOP
DRGR & Yardi Reconciliation SOP

13.2 Bank Reconciliation

The cash accounts shall be reconciled to the bank account statement on a monthly basis. This reconciliation will ensure that payments have cleared the bank account and transactions are properly recorded. If a discrepancy is identified during the reconciliation process, the Accounting Bureau shall determine which system requires correction, document the corrective actions taken, and make necessary adjustments.

Reference:

Bank Reconciliation SOP
Processing of Journal Entry SOP

13.3 Payroll Reconciliation

Payroll reconciliation is performed by the CDBG-DR/MIT Finance Division using accounting records provided by the Department of Treasury of Puerto Rico. A payroll reconciliation is performed on a monthly basis for the period of the first of the month through the end of the prior month, and also a quarterly reconciliation is performed to ensure payroll costs are allocable to the corresponding CDBG-DR/MIT Program and that all payroll costs paid by PRDOH are reimbursed from the CDBG-DR/MIT Program via DRGR and Yardi.

13.4 Period-End Closings

PRDOH period closing ensures that at the end of the month/quarter/year, all accounts have been reconciled, and the necessary adjusting journal entries have been made. Closing the accounts at the end of each period is necessary to ensure no more changes will be reflected in the period/cycle, assuring the records remain intact. Once the closing entries are completed, the Accounting Bureau prepares the Post Closing Trial Balance Statement containing the final financial record per account and period. This statement enables the PRDOH to analyze the actual financial status of the CDBG-DR/MIT Program.

Reference:

Closing Accounting Cycle SOP

14 Timely Expenditure of Funds

To ensure the timely expenditures of funds and meet the requirement that funds be expended within six (6) years for CDBG-DR or twelve (12) years for CDBG-MIT of the date HUD executed the grant agreements, PRDOH has developed and implements the following procedures³⁰:

- Expenditures are tracked each month;
- Subrecipient expenditures are monitored monthly;
- Program Income will be accounted for and managed monthly; and
- Funds for stalled activities are reprogramed in a timely manner.

Expenditures are projected to demonstrate that all funds will be expended by the six (6) years for the CDBG-DR or twelve (12) years for the CDBG-MIT expenditures deadline unless HUD grants an extension.

15 Fixed Assets, Property, and Equipment

Property purchased with CDBG-DR/MIT funds is subject to requirements under the 2 C.F.R. 200. Property management records must be maintained for all equipment, and quarterly reporting must be completed and submitted to the CDBG-DR/MIT Finance Division by the CDBG-DR/MIT Operations Division. The CDBG-DR/MIT Operations Division shall maintain a list of equipment and share it with the CDBG-DR/MIT Finance Division for purposes of reconciling the general ledger each quarter. The reconciliation shall verify purchase orders and equipment listing against the posted expenditures.

Reference:

Processing of PRDOH Fixed Assets Registry and Depreciation SOP

Accounting for Subrecipients Fixed Assets SOP

Accountancy and Tracking of Fixed Assets for Subrecipients Instructions

15.1 Change of Use

The standards described in 24 C.F.R. §570.503 and §570.505 apply to real property within the PRDOH's control (including activities undertaken by subrecipients) that was acquired or improved, in whole or in part, using CDBG-DR/MIT funds in excess of twenty-five thousand dollars (\$25,000). These standards shall apply from the date CDBG-DR/MIT funds are first spent for the property until five (5) years after the final close-out of the grant from which assistance to the property was provided.

³⁰ Required by Federal Registers 83 FR 5844, 83 FR 40314, 84 FR 45838, 85 FR 4676, 85 FR 4681, and any other Federal Register that applies to the Puerto Rico CDBG-DR and CDBG-MIT grants.

15.2 Asset Capitalization

PRDOH and its subrecipients must capitalize on the assets with a value of five hundred dollars (\$500) or more per line item. Every month all subrecipients must submit a listing of all acquired fixed assets to the CDBG-DR/MIT Operations Division and CDBG-DR/MIT Finance Division for evaluation, assuring all subrecipients have the adequate procedures in place to control and safeguard those assets. The PRDOH and subrecipients listing of fixed assets will be shared with the CDBG-DR/MIT Finance Division for its records. The CDBG-DR/MIT Finance Division reserves the right to request an inventory count and reconciliation of records from its subrecipients at any time.

The PRDOH and its subrecipients document the acquisition of Fixed Assets on the Inventory & Depreciation Registry. This document contains information regarding the capitalized asset, including but not limited to:

- Name of the asset;
- Description;
- Model Number;
- Serial Number;
- ID Number (Assigned to Equipment);
- FAIN (Federal Award Identification Number);
- Assigned To;
- Additional Information;
- Location of the item;
- Date of Acquisition;
- Start Depreciation Date;
- Purchase Order Number;
- Supplier;
- Warranty Expiration Date (if any);
- Condition (new or used); and
- Unit Cost

This information is supported by invoices and corresponding payments recorded in Yardi.

16 Financial Reporting

16.1 Annual Financial Reporting

16.1.1 Single Audit

Upon expending more than seven hundred fifty thousand dollars (\$750,000) in federal funds in any given fiscal year, the PRDOH Finance Division shall schedule a single audit with an independent auditor. In preparation for the annual audit, the CDBG-DR/MIT Finance Director shall perform a self-assessment of internal controls using the Standards for Internal Control in the Federal Government guidance document issued by the

Comptroller General of the United States, which will ensure compliance with 2 C.F.R. § 200.303(a). According to the 2 C.F.R. § 200.512(a)(1), the audit must be completed, and the data collection form and reporting package must be submitted within the earlier of thirty (30) calendar days after receipt of the auditor's report(s), or nine (9) months after the end of the audit period. All PRDOH CDBG-DR/MIT subrecipients that expend more than seven hundred fifty thousand dollars (\$750,000) of federal funds in a fiscal year must also perform a single audit and submit it to PRDOH upon request.

The cost charged to the federal award for payment of the agency's single audit must be a reasonably proportionate share of the total costs. PRDOH will evaluate the total amount of funds disbursed by each federal program during the period covered in the single audit and proceed to distribute the final cost in proportion to the expenditures for each federal program.

16.1.2 Financial Statements and Comprehensive Annual Financial Report (CAFR)

On a yearly basis, the PRDOH Finance Division provides financial information to the Department of Treasury of Puerto Rico to prepare the CAFR for review by an independent auditor. The financial statements are fairly presented in conformity with GAAP or other relevant and appropriate accounting principles and regulatory requirements.

16.1.3 Federal Fund Accountability and Transparency Act (FFATA)

In accordance with Federal Acquisition Regulation clause 52.204-10 (Reporting Executive Compensation and First-Tier Subcontract Awards), the CDBG-DR/MIT Program will report contracts greater than twenty-five thousand dollars (\$25,000) for each federal fiscal quarter in the FFATA sub-award Reporting System (FSRS).

16.2 Disaster Recovery Grant Reporting (DRGR)

The CDBG-DR/MIT Finance Division's Budget Bureau is responsible for the DRGR Action Plan and QPR's; and the Accounting Bureau is responsible for drawdowns and Program Income in the DRGR system. In addition to internal SOP's, PRDOH staff shall utilize the HUD-published DRGR Grantee User Manual, which provides a step-by-step guide on how to use the DRGR system, located at:

<https://www.hudexchange.info/programs/drgr/guides/#drgr-user-manual>.

Reference:

DRGR System Grantee User Manual

16.2.1 Action Plan Budget

The DRGR Action Plan is derived from the published Action Plan submitted to and approved by HUD and creates the foundation and structure for accurate budget and expense reporting. It helps grantees identify the data required to set up budgets and performance goals. The key functions of the action plan module are adding an Action

Plan, confirming the grant number, adding an overall narrative, and/or editing information on DRGR projects, including activities.

- **Projects** - DRGR projects are added by major activity type categories listed in the grantee's published Action Plan.
- **Activities** - DRGR activities are added and assigned to a specific DRGR project and are typically broken out at a minimum by the responsible organization, activity type, and national objective. Proposed performance measures are entered at the activity level within the Action Plan. This data is typically gathered from executed contracts.

Reference:

DRGR Action Plan Budget SOP

16.2.2 Quarterly Performance Report (QPR)

The purpose of the QPR is to report progress on the grant and DRGR activities by quarter on a cumulative basis. Each quarter's accomplishments, financial data, and a progress narrative are provided. Quarterly accomplishments are collected with monthly vendor invoices.

A dependent relationship with the Action Plan exists, which limits the ability to submit the QPR if changes have been made to the Action Plan. Changes can range from adding new DRGR projects to changing DRGR activity budgets. Changes to the Action Plan must be made in advance of QPR due dates, allowing enough time for HUD to review the Action Plan and approve it prior to submission of the QPR. Progress reporting is only necessary and required on items that have financial or performance changes from the previous quarter.

The CDBG-DR/MIT Finance Division will submit the QPR through the DRGR system no later than thirty (30) days following the end of each calendar quarter. Within three (3) calendar days of submission to HUD, each CDBG-DR/MIT QPR will be posted on the CDBG-DR website. In the event the QPR is rejected by HUD, the CDBG-DR/MIT Finance Division will ensure that the revised version, as approved by HUD, is posted to the CDBG-DR website within three (3) calendar days of HUD approval.

Reference:

Quarterly Performance Reports SOP

17 Canceled Projects or Activities

Projects or activities may encounter hardship for various reasons, resulting in the project or activity not continuing to the construction and/or closeout phase. Cancellation requests may arise from PRDOH, Subrecipients, or borrowers (Entities); however, all

projects or activities will follow a review process to establish a final determination and accounting before cancellation and closeout.

Grantees, subrecipients, or entities may initiate a request to cancel a project or activity. The final determination of whether a project or activity may be defined as being "canceled" is subject to review and approval by the PRDOH Programmatic Area.

17.1 Identifying the Need for a Canceled Project or Activity

Subrecipients or PRDOH can determine, during the program implementation, that specific projects or activities are not viable to continue despite having worked to complete the processes and objectives defined in the Action Plan and Program Guidelines. Acceptable reasons for cancellation under this policy may include, but are not limited to:

- Preconstruction issues occurred, and the project result was ineligible.
- The project is in the construction phase, and it is not completed for some reason.
- Eligibility/underwriting phase costs and the project did not prosper.
- The results of the planning process determined that the original or amended project was unfeasible or not viable to reach completion.
- Unforeseen local, state, or federal post-application decisions and/or impediments significantly impact the project, making it unfeasible or impossible to complete.
- Unforeseen force majeure has affected the project's scope and ability to be completed.
- Unforeseen environmental impacts to the original or amended project, such as discovering a superfund site, soil contamination, or the presence of endangered species.
- Change in the availability of previously committed funding sources required to complete the project.

Suppose a project or activity is flagged to be deemed as hardship. In that case, the PRDOH Programmatic Area is expected to seek alternatives and workaround solutions within the project or activity to find viable solutions that would allow the project or activity to proceed in alignment with established program eligibility requirements and national objectives. PRDOH will work with the Subrecipient or the entity to thoroughly determine if a project or activity can be implemented with alternatives that allow an amended version or if additional technical assistance and/or reasonable additional resources may help a project or activity reach completion.

All projects or activities deemed to be in hardship and require cancellation must present supporting documentation (meeting minutes, supporting invoice documentation,

environmental review finding summaries, and others) and provide financial records indicating planning, administration, and activity delivery expenses. All expenses related to the project or activity must be reconciled during the documentation review. Eligible and ineligible expenses should be submitted to the Finance Division for proper reclassification of expenses (administration expenses, planning expenses, or accounts receivable to the subrecipient). Eligible expenses that require reclassification will be reclassified, if applicable, and ineligible expenses will be recaptured and are expected to be reimbursed to PRDOH.

17.2 Repayment of Project or Activity Cancellation Expenses

If PRDOH determines a project or activity is to be canceled and funds must be repaid, the entity may be required to repay all or a portion of the CDBG-DR or CDBG-MIT funds expended on the project or activity. Guidelines on repayment are covered in the PRDOH Recapture of Funds Policy.³¹

17.3 Reclassification of Eligible Expenses

The final determination of reclassifying canceled projects or activities expenses should be provided by the PRDOH Programmatic Division, evaluated and processed by the PRDOH Finance Division.

Project Delivery Costs for canceled projects or activities could qualify for a reclass to Administrative or Planning costs. Such reclassifications will be evaluated individually for validity, and the national objective will be presumed met.

Reclassifications of expended grant funds on a canceled project or activity will be entered into the corresponding financial systems and reported in the DRGR. Also, the Subrecipient's budget might need amendments to reclassify costs associated with the canceled projects or activities; in such cases, if needed, budget amendments would be processed.

PRDOH staff will track that the administrative and planning costs may not exceed the Programmatic Administrative Costs (PACs) cap imposed in the applicable federal register notice, which is 5% administrative and 15% planning of the overall respective grant fundings.

18 Closeout

The PRDOH will work with HUD to close out the CDBG-DR/MIT grant when it determines that all applicable administrative actions and all required work of the award are completed in accordance with 2 C.F.R. § 200.344. The closeout process includes:

³¹ PRDOH Recapture of Funds Policy is available in English and Spanish at: <https://recuperacion.pr.gov/en/download/recapture-of-funds-policy/> and <https://recuperacion.pr.gov/download/politica-de-recaptura-de-fondos/>

- PRDOH must submit, no later than one hundred twenty (120) calendar days³² after the end date of the period of performance, all financial, performance, and other reports as required by the terms and conditions of the CDBG-DR/MIT grant;
- Unless HUD authorizes an extension, PRDOH must liquidate any and all obligations incurred under the CDBG-DR/MIT grant no later than one hundred twenty (120) calendar days after the end date of the period of performance as specified in the terms and conditions of CDBG-DR/MIT grant;
- HUD must make prompt payments to PRDOH for allowable reimbursable costs under the CDBG-DR/MIT grant;
- PRDOH must promptly refund any balances of unobligated cash that HUD paid in advance or paid and that are not authorized to be retained by PRDOH for use in other projects³³;
- Consistent with the terms and conditions of the CDBG-DR/MIT grant, HUD must make a settlement for any upward or downward adjustments to the Federal share of costs after closeout reports are received.;
- PRDOH must account for any real and personal property acquired with CDBG-DR/MIT funds or received from the Federal Government in accordance with 2 C.F.R. § 200.310 Insurance coverage through 2 C.F.R. § 200.316 Property trust relationship and 2 C.F.R. § 200.330 Reporting on real property; and
- HUD should complete all closeout actions for the CDBG-DR/MIT grant no later than one (1) year after the end of the period of performance unless otherwise directed by authorizing statutes. .

18.1 Subrecipients Closeout

PRDOH will work with all subrecipients to ensure all closeout requirements, as described in the subrecipient agreement, are met prior to releasing the final payment to the subrecipient. Subrecipients' obligation to PRDOH shall not end until all closeout requirements are met. The PRDOH CDBG-DR/MIT programmatic areas and Monitoring Division are primarily responsible for meeting closeout requirements. The closeout process includes, but is not limited to:

- Subrecipients must transmit to the PRDOH all records that are sufficient to demonstrate that all incurred cost by the subrecipient met the requirements of the subrecipient agreement and this Policy Manual;

³² HUD may approve extensions if requested by PRDOH (2 C.F.R. § 200.344(a)).

³³ OMB Circular A-129 and see § 200.346 Collection of amounts due, describe requirements regarding unreturned amounts that become delinquent debts.

- Subrecipients shall maintain financial records, supporting documents, statistical records, and any other records pertinent to any sub-award for the longer of three (3) years after the termination of the subrecipient agreement with PRDOH, or five (5) years after the close-out of the CDBG-DR/MIT grant agreement between PRDOH and HUD;
- Subrecipient must execute all final payments related to the grant to corresponding vendors and employees prior to final payment;
- Subrecipients must resolve all outstanding findings issued by PRDOH, HUD, and HUD OIG;
- Subrecipients must repay all funds subject to recapture;
- Subrecipients must forfeit any unspent CDBG-DR/MIT funds;
- Subrecipient must dispose of all program assets, including the return to PRDOH of all unused materials, equipment, unspent cash advances, program income balances, and accounts receivables attributable to the use of CDBG-DR/MIT funds; and
- Any real property under the Subrecipient's control that was acquired or improved in whole or in part with CDBG-DR/MIT funds (including CDBG-DR/MIT funds provided to the Subrecipient in the form of a loan) shall be treated in accordance with 24 C.F.R §570.503 (b)(7).

19 Approval

This policy will take effect immediately after its approval. This document supersedes any previously approved version. Version 9 is the first one to be published on our website. For previous versions, contact us through <https://recuperacion.pr.gov/welcome/en/index.html>.



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Disaster Recovery Director
CDBG-DR/MIT Program Finance Division

March 7, 2024

Date

END OF POLICY.