



CDBG-DR/MIT

SUBRECIPIENT MANAGEMENT POLICY



DEPARTMENT OF

HOUSING

GOVERNMENT OF PUERTO RICO

April 25, 2026

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PUERTO RICO DEPARTMENT OF HOUSING
CDBG-DR/MIT PROGRAM
SUBRECIPIENT MANAGEMENT POLICY
APPLICABLE TO ALL PRDOH CDBG-DR/MIT PROGRAMS
VERSION CONTROL

VERSION NUMBER	DATE REVISED	DESCRIPTION OF REVISIONS
1	October 5, 2020	Original version
2	August 24, 2021	Minors edits throughout the document. Revisions to Section 10.2 Procurement & Contracting to address PRDOH Administrative Orders 2021-19, 2021-20 and 2021-27 and Section 8 to add the Core Curriculum description.
3	October 20, 2022	Minor edits throughout the document. Revisions to Section 7.2.2, Section 10, Section 11.4, Section 11.1.6 Added section 5, 8.1 and 16. Included applicability to the CDBG-MIT Program.
4	April 25, 2026	Revisions and edits throughout the document.

Table Contents

1	Overview	6
2	Policy	6
3	Subrecipients	7
3.1	Who is a Subrecipient?	7
3.2	Who is not a Subrecipient?	7
3.3	Subrecipient’s Responsibilities.....	8
4	Start-Up and Post Award	8
4.1	Selection Criteria	8
4.2	Models for Selecting Subrecipients.....	9
4.2.1	Formal Application.....	9
4.2.2	Direct Selection	9
4.3	Capacity Assessment	10
4.4	Pre-Agreement Procedures.....	11
4.5	Post Award Responsibilities.....	11
5	Subrecipient Agreement	12
5.1	Mandatory Clauses Applicable to Subrecipient Agreements.....	13
5.2	Programmatic and Budget Changes.....	14
5.3	Suspension and Termination (24 C.F.R. § 570.503 (b) (6))	14
6	National Objectives	14
6.1	National Objectives Documentation.....	16
7	Duplication of Benefits	18
8	Eligible Activities	19
9	Administrative Requirements	20
9.1	Financial Management	20
9.1.1	Internal Controls.....	21
9.1.2	Accounting Records.....	22
9.1.3	Allowable Costs	22

9.1.4	Source Documentation.....	22
9.1.5	Budget Controls.....	23
9.1.6	Cash Management.....	23
9.1.7	Financial Reporting.....	24
9.2	Procurement & Contracting	24
9.3	Monthly Reports	26
9.4	Recordkeeping.....	27
9.5	Policies and Procedures.....	28
9.6	Other Administrative Aspects.....	28
9.6.1	Program Income (24 C.F.R. § 570.503 and § 570.504).....	28
9.6.2	Civil Rights and Fair Housing; Employment and Contracting Opportunities (24 C.F.R. § 570.601, § 570.607 and § 570.614)	30
9.6.3	Cross Cutting Guidelines.....	30
9.6.4	Capacity Building and Technical Assistance.....	31
10	Communications with Subrecipients	32
10.1	Communications Guide	33
11	Monitoring and Contract Oversight.....	34
12	Monitoring and Audit Requirements	36
13	SRA Closeout	37
14	Noncompliance	38
15	Approval	40

1 Overview

This **Subrecipient Management Policy (Policy)** sets forth direction for the administration of programs funded by the Puerto Rico Department of Housing (**PRDOH**) Community Development Block Grant – Disaster Recovery and Mitigation (**CDBG-DR/MIT**) Programs¹ under a Subrecipient Agreement (**SRA**) with a non-federal entity. It is intended to establish the policy regarding PRDOH management and oversight of Subrecipient’s activities, as well as to provide the Subrecipient with general expectations for Program compliance. Although portions of this policy involve complex Federal regulations, this Policy summarizes the essential elements for proper operation of the Program applicable to the key management areas.

The Policy is neither intended to be exhaustive nor so restrictive that it cannot be amended. Nor does it apply to entities who were determined to be Contractors by PRDOH, as established in 2 C.F.R. § 200.331.

2 Policy

Proper subrecipient management is crucial not only to comply with Federal regulations, but also to improve service delivery to Puerto Rico, which has been affected by major disasters, including Hurricanes Irma and María in 2017, the 2019-2020 Earthquakes and Tropical Storm Isaiás, Hurricane Fiona, and the 2022 Floods. CDBG-DR/MIT funds invested in Puerto Rican communities have to be meticulously managed through practices that ensure both federal and local compliance.

Inadequate administration of CDBG-DR/MIT funds may result in wasted Program funds, lost opportunities, grant reduction, and an adverse effect on future grants. Through a clear assignment of responsibilities and tasks, as well as a robust monitoring program, these potential negative fallout can be avoided.

¹ Active Disaster Grants information can be found at <https://www.hudexchange.info/programs/cdbg-dr/cdbg-dr-grantee-contact-information/#all-disasters>.

3 Subrecipients

A Subrecipient may be a public or private nonprofit agency, authority, or organization which receives CDBG-DR/MIT funds from PRDOH to undertake eligible activities.² It is further defined at 2 C.F.R. § 200.1 as an entity that receives a subaward from a pass-through entity to carry out part of a Federal award. Unless otherwise noted, the term “**Subrecipient**” will be used throughout this Policy to denote entities that PRDOH determined were subrecipients and who are receiving CDBG-DR/MIT funds pursuant to an executed written SRA.

3.1 Who is a Subrecipient?

- Governmental entities, such as government agencies and municipalities;
- Private non-profit organizations; and
- Private for-profit organizations only as authorized under 24 C.F.R. § 570.201(o).³

There are also considerations for Community Based Development Organizations (**CBDOs**) under 24 C.F.R. § 570.204 when carrying out special activities such as economic development or new housing construction. This Policy shall apply to CBDOs explicitly designated as a Subrecipient by PRDOH.

3.2 Who is not a Subrecipient?

- Contractor of competitively procured services.
- Developer (either a non-profit or for-profit entity).

² 24 C.F.R. § 570.500(c).

³ (1) The provision of assistance either through the recipient directly or through public and private organizations, agencies, and other subrecipients (including nonprofit and for-profit subrecipients) to facilitate economic development by: (i) Providing credit, including, but not limited to, grants, loans, loan guarantees, and other forms of financial support, for the establishment, stabilization, and expansion of microenterprises; (ii) Providing technical assistance, advice, and business support services to owners of microenterprises and persons developing microenterprises; and (iii) Providing general support, including, but not limited to, peer support programs, counseling, child care, transportation, and other similar services, to owners of microenterprises and persons developing microenterprises. (2) Services provided this paragraph (o) shall not be subject to the restrictions on public services contained in paragraph (e) of this section. (3) For purposes of this paragraph (o), “persons developing microenterprises” means such persons who have expressed interest and who are, or after an initial screening process are expected to be, actively working toward developing businesses, each of which is expected to be a microenterprise at the time it is formed. (4) Assistance under this paragraph (o) may also include training, technical assistance, or other support services to increase the capacity of the recipient or subrecipient to carry out the activities under this paragraph (o). 24 C.F.R. § 570.201.

- Privately- or publicly held for-profit entity receiving funds as a beneficiary under a program.
- A beneficiary or participant.

3.3 Subrecipient's Responsibilities

Subrecipient's responsibilities include:

- Meet PRDOH's selection criteria;
- Carry out specified program and/or program activity on behalf of PRDOH;
- Comply with all Federal and state statutes, regulations, Program requirements, and PRDOH's policies and procedures;
- Comply with all terms and conditions of the SRA; and
- Meet established performance goals.
- Obtaining the necessary federal, state, and local permits and licenses required to execute the program.
- Comply with applicable federal, state, and local codes, regulations, statutes, ordinances, laws, policies, and procedures applicable to the administration of CDBG-DR/MIT funds.

Failure to comply with any of the above may result in forfeiture of the CDBG-DR/MIT funding provided to the Subrecipient under an SRA, and consequently in the termination of the SRA.

However, PRDOH is ultimately responsible for Subrecipient compliance and performance as established in 24 C.F.R. § 570.501.

In addition to federal and state requirements applicable to the administration of CDBG-DR/MIT funds, as specified through published PRDOH policy, the Subrecipient shall comply with the requirements, policies, regulations, and criteria contained in the SRA and further acknowledged in this Policy.

4 Start-Up and Post Award

4.1 Selection Criteria

PRDOH may use any reasonable criteria to select a subrecipient, including but not limited to:

- Issuing a Request for Qualifications (**RFQ**);
- Issuing a Notice of Funding Availability (**NOFA**);
- Issuing an application process;
- Selecting a qualified non-profit organization serving a specific geography;
- Selecting a Unit of General Local Government;
- Selecting a Governmental Agency or Organization;
- Direct Selection; or
- Other method(s), as applicable.

4.2 Models for Selecting Subrecipients

The following models are examples of methods PRDOH may use to select a Subrecipient. These are not meant to be all-inclusive.⁴

4.2.1 Formal Application

Depending on the selection criteria, prospective subrecipients may be required to submit formal applications to PRDOH. These applications shall describe proposed activities, implementation schedule, budget, staffing structure, and related past experience. PRDOH shall then evaluate the applications according to the selection criteria, CDBG-DR/MIT Program priorities, and the corresponding Action Plans. A formal application process may be followed when:

- Project activities are numerous and/or complex;
- There is a pool of potential applicants with varying degrees of expertise and capacity;
- The cost and level of potential program failure are high; and
- There are limited funds and many competing needs and/or approaches for addressing these needs.⁵

4.2.2 Direct Selection

PRDOH has the discretion to directly identify and select a prospective Subrecipient to carry out the desired CDBG-DR/MIT program/activities and approach them directly to

⁴ For a full description, see *Managing CDBG A Guidebook for CDBG Grantees on Subrecipient Oversight*, Chapter 2 <https://www.hudexchange.info/resource/6577/managing-cdbg-guidebook-for-cdbg-grantees-on-subrecipient-oversight/>.

⁵ Id.

determine their interest and suitability for the work. Direct selection may be followed when:

- An entity is uniquely qualified due to having sole jurisdiction over project or complete control/ownership over a project site;
- There is reasonable basis to conclude that it will result in increased efficiencies and produce faster results, thereby more quickly addressing the unmet need; and
- It can be reasonably concluded that the minimum project needs of the Program can only be satisfied by the selected Subrecipient.

PRDOH has standardized processes for the selection of subrecipients to carry out eligible activities in compliance with HUD regulations, as stated in 24 C.F.R. § 570.503.

When administering a CDBG-DR/MIT Program, HUD allows Grantees to make program administrative decisions regarding the method of distribution of funds for carrying out their disaster recovery and mitigation activities. Such method of distribution could be done directly by the Grantee or through selecting subrecipients. PRDOH has elected to deploy two (2) approaches to select subrecipients: creating and selecting from a pool of interested and qualified entities or directly selecting a subrecipient if the situation justifies it.

The creation of a pool of qualified entities enhances the efficiency and effectiveness of the CDBG-DR/MIT Program efforts by creating and managing a diverse roster of organizations that are qualified to carry out CDBG-DR/MIT activities. When the need arises, PRDOH can quickly refer to an existing pool, select a pre-screened organization to evaluate, and enter into a subrecipient agreement.

4.3 Capacity Assessment

PRDOH is responsible for determining the adequacy of performance under SRAs.⁶ The adequacy of performance must be gauged before any work begins. Grantees must assess their subrecipients' capacity.⁷ A well-thought-out assessment, prior to the selection of a subrecipient, helps reduce the risk of future problems and increases the

⁶ 24 C.F.R. § 570.501.

⁷ 2 C.F.R. § 200.332(b)

chance of success.⁸ To that end, PRDOH will assess the capacity of the Subrecipients. The Capacity Assessment Report is conducted and prepared by the PRDOH CDBG-DR/MIT Subrecipient Management Division. A capacity assessment provides the needed information by considering key functions such as:

- Grant management history (track record)
- Grantee monitoring reports
- Internal and external audits (i.e., Office of Inspector General (**OIG**))
- Ability to comply with federal rules and regulations (capacity)
- Staffing (New or experienced staff and turnover rate)
- Program and activity experience/ knowledge of CDBG/CDBG-DR/MIT
- Management of similar programs/activities

4.4 Pre-Agreement Procedures

Prior to agreement execution, Subrecipients, as applicable, must have the needed staffing support, confirmed matching resources, sufficiently developed plans, a program site (if required), and budget to start the proposed program after the funding approval, in accordance with the requirements of the proposed SRA. Program Areas will provide the support, as needed, for the preparation of agreement related documents and execution thereof.

4.5 Post Award Responsibilities

Prior to the release of CDBG-DR/MIT funds by PRDOH, a written SRA must be executed with the Subrecipient. The SRA remains in effect during any period that the Subrecipient is operating or implementing a program in which CDBG-DR/MIT funds are being invested, in compliance with the terms agreed upon by the parties in the SRA, or until PRDOH notifies the suspension or termination of the SRA, whichever occurs first.

Upon execution of the agreement between PRDOH and the Subrecipient, the Subrecipient shall:

⁸ 2 C.F.R. §200.206(b)

1. Comply with the provisions of the SRA and its Exhibits, including but not limited to:
 - a. General requirements included thereunder.
 - b. Reporting requirements, performance, and deliverable requirements.
 - c. Any special conditions, as applicable, which may include the development of necessary policies and procedures and/or adoption of PRDOH CDBG-DR/MIT Policies, as well as capacity building and training requirements, among others.
2. Participate in initial meetings with the program areas for program implementation, to ensure understanding of Program Guidelines, procurement, and finance requirements.
3. Establish and implement a sound structure for internal controls in compliance with 2 C.F.R. Part 200 requirements and as indicated herein.

5 Subrecipient Agreement

The SRA is the basis for the contractual obligation between PRDOH and the Subrecipient to fund and implement the awarded activity or program as required by 24 C.F.R. § 570.503. The agreement denotes responsibilities attributable to each party, and outlines in exact measure the scope of services provided under the agreement, methods of accountability, and a schedule for payment. Execution of the agreement binds the Subrecipient for a specified period (term) and may be revised only upon written authorization from PRDOH.

Subrecipient Agreements include the following:

- Legal means to convey all applicable requirements, roles, and responsibilities (see CDBG regulations 24 C.F.R. § 570.503);
- Statement of work/scope of services as included in the SRA and pertinent Exhibit;
- Period of performance;
- Records to be maintained, reports to be submitted;
- Uniform administrative/ financial and cross-cutting requirements;

- Provisions on budgeting, program income, suspension/termination, reversion of assets and enforcement;
- Provisions on payments to Subrecipients based on the reimbursement basis; and,
- Provisions regarding compliance with federal and local statutes and regulations and terms and conditions of the CDBG-DR/MIT federal awards and additional PRDOH requirements.

PRDOH utilizes a standardized SRA template, which may be amended from time to time.

You can view your SRA by accessing the following link:
<https://recuperacion.pr.gov/en/resources/contracts/written-agreements/>

5.1 Mandatory Clauses Applicable to Subrecipient Agreements

The Subrecipient must comply with all federal, state, and local codes, regulations, statutes, ordinances and laws applicable to the administration of CDBG-DR/MIT funds. Failure to comply may result in forfeiture of CDBG-DR/MIT funds provided to the Subrecipient as part of the SRA.

All SRAs from the PRDOH CDBG-DR/MIT Programs shall contain, among others, general award information, subrecipient management responsibilities, general administration clauses, national objectives, performance goals and timelines, nonperformance standard, staffing with identified responsibilities to the identified activities, and prohibition of pre-award costs. Each SRA shall also include all other clauses required by federal and state laws, applicable Federal Register Notices, Executive Orders, rules, and regulations, in accordance with 24 C.F.R. §570.489(g). For more information, please consult the Contract and Subrecipient Agreement Manual Available in English and Spanish: <https://recuperacion.pr.gov/en/download/contract-and-subrecipient-agreement-manual/> and <https://recuperacion.pr.gov/download/manual-para-contratos-y-acuerdos-de-subrecipiente/>.

5.2 Programmatic and Budget Changes

Any programmatic and/or budget changes are subject to PRODH review and approval. The appropriate steps to propose and implement a change that affects either a programmatic or budget aspect, is established as part of the SRA Amendment process.

5.3 Suspension and Termination (24 C.F.R. § 570.503 (b) (6))

PRDOH is responsible for ensuring the correct use of CDBG-DR/MIT funds. If any problems arise in the performance of a Subrecipient, PRDOH shall take the appropriate actions to correct deficiencies. As part of these actions, PRDOH may choose to suspend or terminate the SRA.

6 National Objectives

All projects in the Program must meet a national objective, as defined by the United States Department of Housing and Urban Development (**HUD**), in addition to meeting a HUD eligible activity as defined by the Housing and Community Development Act of 1974 (**HCDA**), as amended, 42 U.S.C § 5305. Funds expended for planning and program administrative costs are considered to address national objectives requirements.¹⁰

These National Objectives are:

1. **Benefit to low- and moderate-income (LMI) (24 C.F.R. § 570.483(b))** Under this national objective, the clients who benefits from the CDBG-DR/MIT funded activities or program must have low-and-moderate incomes, as defined by HUD.¹¹ Low-and-moderate income is defined as a household that does not exceed eighty percent (80%) of HUD Income Limits. These limits are updated annually. The types of activities considered as LMI are:

⁹ This Policy presents a summary of the National Objectives. For a full description, see *Managing CDBG A Guidebook for CDBG Grantees on Subrecipient Oversight*, Appendix 1-14 <https://www.hudexchange.info/resource/407/managing-cdbg-guidebook-for-cdbg-grantees-on-subrecipient-oversight/>; and *Basically CDBG*, Chapter 3 (May 2014), <https://files.hudexchange.info/resources/documents/Basically-CDBG-Chapter-3-Nat-Obj.pdf>.

¹⁰ 24 C.F.R. § 570.208(d)(4).

¹¹ CDBG income limit information can be found at <https://www.hudexchange.info/resource/5334/cdbg-income-limits/>.

- a. **LMI Area Benefit Activity** – Activity whose benefits are available to all the residents in a particular area, where at least fifty one percent (51%) of the residents are LMI persons. 24 C.F.R. § 570.483(b)(1).
 - b. **LMI Limited Clientele Activity** – Activity that benefits a specific group of people, rather than all the residents in a particular area. 24 C.F.R. § 570.483(b)(2).
 - c. **LMI housing activity**– An eligible activity carried out for the purpose of providing or improving permanent residential structures that, upon completion, will be occupied by LMI households. 24 C.F.R. § 570.483(b)(3).
 - d. **Job creation or retention activities** – Job creation or retention activities are activities designed to create permanent jobs in an area where at least fifty one percent (51%) of the jobs involve the employment of LMI people. 24 C.F.R. § 570.483(b)(4).
2. **Aid in prevention or elimination of Slums or Blight (SB)**¹² (*CDBG-DR only*)
Activities under the national objective of prevention of slums or blight are directed at changes in the physical environment of a deteriorating area. These activities are to address one (1) or more of the conditions that contributed to the deterioration of the area.
 3. **Urgent Need (UN) activities**¹³ (*CDBG-DR only*)
Activities that address an urgent need are designed to alleviate existing conditions that have a particular urgency. These needs should pose a serious and immediate threat to the health or welfare, be of recent origin, the grantee is unable to finance the activity on its own, and there is no other funding available.
 4. **Urgent Need Mitigation (UNM)** (*CDBG-MIT only*)
HUD has waived the Urgent Need National Objective criteria at 24 C.F.R. § 570.208 (c) and C.F.R. § 570.483 (d) for mitigation activities and established

¹² 24 C.F.R. § 570.483(c)

¹³ 24 C.F.R. § 570.483(d)

alternative requirements to include a new Urgent Need National Objective criterion for CDBG-MIT activities.¹⁴

It must be noted that, to meet any national objective, all CDBG-MIT funded activities must:

- Demonstrate the ability to operate for the useful life of the project.
- Be consistent with other mitigation activities. To be consistent, the CDBG-MIT activity must not increase the risk of loss of life or property in a way that undermines the benefits from other uses of CDBG-MIT funds in the most impacted and distressed (**MID**) area.

An activity or program may present the challenge of meeting more than one (1) national objective. Subrecipients are responsible for documentation of compliance with this requirement in accordance with published Program Guidelines pertinent to the program which the Subrecipient is implementing. An activity that does not meet a national objective is in noncompliance with CDBG-DR/MIT requirements and will most likely require remedial actions.

Furthermore, HUD has established additional criteria for CDBG-MIT covered projects that include the requirement that the subrecipient provide a plan for long-term efficacy and fiscal sustainability, a demonstration that the benefits of the project outweigh the cost, and that the project is consistent with other mitigation activities in the same area.

6.1 National Objectives Documentation

NATIONAL OBJECTIVE	REQUIRED DOCUMENTATION
LMI Area	<ul style="list-style-type: none"> • Boundaries of service area • Census data, including total persons and the percentage of LMI • Evidence area is primarily residential • Survey documentation (if applicable)
LMI Limited Clientele	<ul style="list-style-type: none"> • Documentation that the beneficiaries are LMI or presumed to be LMI (by category).

¹⁴ Federal Register Notice Vol. 84, No. 169 (August 30, 2019), 84 FR 45838.

LMI Housing	<ul style="list-style-type: none"> • The size, annual income, and FHEO (Fair Housing and Equal Opportunity) characteristics of households occupying CDBG-assisted and designated LMI units • A copy of the written agreement indicating the total number of dwelling units and the number of LMI units • For rental housing only: <ul style="list-style-type: none"> – Rent charged (or to be charged) after assistance for each assisted unit – Documentation showing the affordability of units occupied (or to be occupied) by LMI households
LMI Job Creation or Retention	<ul style="list-style-type: none"> • Number of jobs created or retained • Type and title of jobs created or retained • Income of persons benefiting from the jobs created or retained; National Objective Documentation 24 CFR 570.483(b)(4)(i) is waived. HUD considers the person income-qualified if annual wages or salary is at or under the HUD established income limit for a one-person family.
Slum and Blight (CDBG-DR)	<ul style="list-style-type: none"> • Area designation (e.g., boundaries, evidence area meets State slum/blight requirements) • Documentation and description of blighted conditions (e.g., photographs, structural surveys, or development plans) • If applicable, evidence that the property meets spot designation requirements (examples may include acquisition and demolition of a dilapidated property, elimination of code violations on a community facility, preservation of a historic property, or financial assistance to a business to demolish a decayed structure).
Urgent Need (CDBG-DR)	<ul style="list-style-type: none"> • Documentation of urgency of need and timing

	<ul style="list-style-type: none"> • Certification that other financing resources were unavailable, and CDBG-DR meets the unmet need.
Urgent Need Mitigation (UNM) (CDBG-MIT)	<ul style="list-style-type: none"> • Document that the activity addresses the current and future risks as identified in the Mitigation Needs Assessment of MID areas that is addressed by the activity • Document that the activity will result in a measurable and verifiable reduction in the risk of loss of life and property.

7 Duplication of Benefits

The Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. §5121 *et seq.*, prohibits any person, business concern, or other entity from receiving Federal funds for any part of such loss as to which they have received financial assistance under any other program, from private insurance, charitable assistance, or any other source. Duplication of Benefits (**DOB**) verification and analysis ensure that program funds compensate applicants for damages and needs that have not been addressed by an alternate source, either through funding or assistance. As such, PRDOH must consider disaster recovery aid received by Program applicants from any other federal, state, local or other source and determine if any assistance is duplicative. Any assistance determined to be duplicative must be deducted from the Program’s calculation of the applicant’s total need prior to awarding assistance. Please refer to specific Program Guidelines for a particular programmatic activity DOB requirements.¹⁵

The Subrecipient is responsible for record retention of documents submitted by applicants to avoid DOB in the assistance provided, as it relates to specific CDBG-DR/MIT Program or projects under your SRA.¹⁶

¹⁵See Duplication of Benefits Policy in English and Spanish at <https://recuperacion.pr.gov/en/download/duplication-of-benefits-policy/> and <https://recuperacion.pr.gov/download/politica-sobre-la-duplicacion-de-beneficios/>.

¹⁶ The duplication of benefits guidance included in Federal Register Vol. 84, No. 119 (June 20, 2019), 84 FR 28836, updates the duplication of benefits guidance issued in Federal Register Vol. 76, No. 221 (November 16, 2011), 76 FR 71060 for CDBG-DR grants received in response to disasters declared between January 1, 2015 and December 31, 2021.

8 Eligible Activities

All CDBG-DR funded activities must clearly address an impact of the disaster for which funding was allocated.¹⁷ Subrecipients should consider the following key aspects when identifying CDBG-DR funded activities:

- Determine if it is a CDBG eligible activity (or be eligible under a waiver or alternative requirements).¹⁸
- Determine if the activity meets a national objective.
- Determine if the activity addresses a direct or indirect impact from the major disaster.

Unlike CDBG-DR, CDBG-MIT does not require a “tie-back” to a specific event but must meet criteria set by HUD for mitigation. For the CDBG-MIT Program, activities must:

- Be CDBG-eligible activities under Title I of the HCDA (or be eligible under a waiver or alternative requirements).
- Meet the HUD definition of mitigation activities
 - HUD defines mitigation activities as: “...activities that increase resilience to disasters and reduce or eliminate the long-term risk of loss of life, injury, damage to and loss of property, and suffering and hardship, by lessening the impact of future disasters.”¹⁹
 - HUD has designed the CDBG-MIT program to complement the existing mitigation programs currently administered by FEMA. For these existing programs, FEMA defines mitigation as “...effort to reduce loss of life and property by lessening the impact of disasters.”²⁰
- Address the current and future risks as identified in the Mitigation Needs Assessment of MID areas.

¹⁷ 83 FR 5844.

¹⁸ Eligible activities are described in 24 C.F.R. Part 570 Subpart C and discussed in *Managing CDBG A Guidebook for CDBG Grantees on Subrecipient Oversight*, <https://www.hudexchange.info/resource/407/managing-cdbg-guidebook-for-cdbg-grantees-on-subrecipient-oversight/>. Any eligibility waivers provided, are found in the different Federal Register Notices that involve CDBG-DR assigned funds, <https://recuperacion.pr.gov/en/resources/hud/federal-registers/>

¹⁹ 84 FR 45838

²⁰ https://www.fema.gov/sites/default/files/2020-07/mitigation_homeowners_fact_sheet_2017.pdf.

9 Administrative Requirements

9.1 Financial Management

Financial Management systems and reporting requirements are established in 24 C.F.R. § 570.502, which in turn refers to 2 C.F.R. Part 200 (except as set forth in 24 C.F.R. § 570.502). These requirements are set forth to ensure that a subrecipient's financial management system is sufficient. Subrecipient's financial management system shall:

- Provide effective control over and accountability for all funds, property, and other assets.
- Identify the source and application of funds for Federally sponsored activities, including the "reasonableness, allowability, and allocability" of costs and verification that the funds have not been used in violation of any of the restrictions or prohibitions that apply to this Federal assistance.
- Permit the accurate, complete, and timely disclosure of financial results in accordance with PRDOH CDBG-DR/MIT reporting requirements contained in the subrecipient agreement
- Minimize the time elapsed between the transfer of funds and disbursement by the subrecipient.²¹

The Subrecipient shall expend and account for all CDBG-DR/MIT funds received under the SRA in accordance with:

1. Accounting Standards

The Subrecipient must comply with 2 C.F.R. §200.302 – §200.303 and shall adhere to the accounting principles and procedures required therein, utilize adequate internal controls, and maintain necessary source documentation for all costs incurred.

2. Cost Principles

The Subrecipient must administer its program in conformance with Cost Principles as outlined in 2 C.F.R. part 200 subpart E, as applicable. These

²¹ Playing by the Rules: A Handbook for CDBG Subrecipients on Administrative Systems, December 2021, <https://www.hudexchange.info/news/updated-playing-by-the-rules-a-handbook-for-cdbg-subrecipients-on-administrative-systems-now-available/>

principles shall be applied for all costs incurred whether charged on a direct or indirect basis.

The Financial Policy and all CDBG-DR/MIT general policies are 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/politicas-generales/>.

9.1.1 Internal Controls

PRDOH, as grantee, and all Subrecipients, must have effective control and accountability practices in place. Subrecipients must establish and maintain internal controls as defined at 2 C.F.R. § 200.303 to ensure CDBG-DR/MIT funds are managed in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. A good internal control system should include several basic features, regardless of the organization's size. The characteristics include:

- An organizational plan that safeguards resources by segregating duties;
- A system of authorization and recording procedures that provides effective accounting control over assets, liabilities, revenues, and expenses;
- An established system of procedures followed by each organizational component in performing its duties and functions;
- Personnel capable of performing their responsibilities; and
- An effective system of internal reviews.
- Internal controls can help provide assurance that operations comply with federal requirements. For example, responses to questions such as those below can affect the outcome of an audit:
 - Are there payroll records to support charges to federal funds and do they meet the requirements laid out in the applicable cost principles?
 - Are there procedures to verify that charges are allowable under grant provisions?
 - Are there adequate procedures to verify that program participants are eligible?
 - Are corrective actions recommended and implemented as a result of self-monitoring activities?

9.1.2 Accounting Records

Subrecipients must have accounting records that adequately identify the source and application of CDBG-DR or CDBG-MIT funds. The following elements should be incorporated into a subrecipient's accounting system:

- Accounts chart;
- Cash receipts journal;
- Cash disbursements journal;
- Payroll journal; and
- General ledger.

All accounting records must contain reliable and up-to-date information about the sources and uses of funding including grant awards received, current authorizations to CDBG-DR and/or CDBG-MIT funds, unobligated balances, assets and liabilities, program income, and expenditures.

9.1.3 Allowable Costs

Per basic guidelines set forth by the United States Office of Management and Budget (**OMB**), a cost is allowable under the CDBG Program if:

- The expenditure
 - Is necessary, reasonable, and directly related to the grant.
 - Has been authorized by the grantee.
 - Is not prohibited under Federal, state, or local laws or regulations.
 - Is accorded consistent treatment.
- The cost
 - Must be allocable to the CDBG-DR or CDBG-MIT Program.
 - Is net of all applicable credits.

9.1.4 Source Documentation

All accounting records must be supported by source documentation. Supporting documentation must show that the costs:

- Were incurred during the effective period of the SRA;
- Were paid out (or properly accrued);
- Were expended on allowable items; and

- Had been approved by the responsible official(s) in the subrecipient's organization.²²

9.1.5 Budget Controls

Subrecipients must have practices in place that allow them to monitor the approved budget allocation, obligations, and expenditures. For this, subrecipients must:

- Maintain records of the amounts budgeted for eligible activities;
- Include unexpended/unobligated balances for budgeted categories, as well as obligations and expenditures; and
- Compare, on an ongoing basis, actual obligations, and expenditures to date against planned obligations and expenditures, and against projected accomplishments for such outlays.

9.1.6 Cash Management

Subrecipients are required to have procedures in place to minimize the time elapsed between receipt of funds from the grantee and the actual disbursement of those funds. CDBG-DR/MIT grant funds have two (2) general methods to transfer these funds to subrecipients: reimbursement and cash advance.

The Reimbursement method shall be the preferred method for disbursement to Subrecipients. The Subrecipient shall submit to PRDOH, on a monthly basis or as otherwise required by the SRA, Requests for Reimbursements of activities consistent with the approved Budget and Scope of Work under the terms of their executed SRA.

The Subrecipient shall submit Requests for Reimbursements to PRDOH, utilizing the form(s) created by the CDBG-DR/MIT Finance Division and with the supporting content specified and required by PRDOH, which may include but is not limited to, supporting invoices/ bills, time sheets, monthly reports, and any other documents necessary for the payment or any other supporting document requested by PRDOH.

All invoices must include the following documents:

²² Playing by the Rules: A Handbook for CDBG Subrecipients on Administrative Systems, December 2021, <https://www.hudexchange.info/resource/687/playing-by-the-rules-a-handbook-for-cdbg-subrecipients-on-administrative-systems/>

- Invoice Checklist
- Invoice Form
- Activity Detail Form corresponding to the invoiced service
- Certification or evidence of payment
- Supporting Documents related to invoiced services
- Monthly Report

PRDOH may provide orientations to Subrecipients regarding requests for reimbursement of funds.

9.1.7 Financial Reporting

A subrecipient must have the capacity to provide accurate, timely, and current reports that represent a complete disclosure of at least the following information for each CDBG-DR/MIT activity:

- Amount budgeted.
- Advances/reimbursements received to date.
- Program income and other miscellaneous receipts in the current period and cumulatively to date.
- Actual expenditures/disbursements in the current period and cumulatively to date, for both program income and regular CDBG grant funds.

9.2 Procurement & Contracting

The Uniform Guidance procurement requirements (2 C.F.R. Part 200, Subpart D) are applicable to CDBG-DR/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. These requirements are to be adhered to by all parties participating in the procurement.

Every subgrantee and/or subrecipient of the CDBG-DR and CDBG-MIT Programs must strictly comply with the provisions of 2 C.F.R. §200.318 through §200.327 and any other applicable federal or state requirements. Therefore, when acquiring properties and services with CDBG-DR and/or CDBG-MIT grants, contracting entities, including subrecipients, must follow the aforementioned provisions.

As an exception to the above, the CDBG-DR Non-Federal Match Program (**NFMP**), the CDBG-MIT Hazard Mitigation Grant Program (**HMGP**) Match Set-Aside, and the Energy Grid Rehabilitation and Reconstruction Cost Share Program (ERI) must comply with the procurement requirements of the Federal Emergency Management Agency (**FEMA**).²³ Participants of the NFMP, HMGP Match Set-Aside, and ERI Program must provide PRDOH with the necessary records to document that they have met the FEMA Procurement requirements, which FEMA may establish and amend from time to time. If FEMA does not complete a cost and price analysis, the sections of the Procurement Manual for the CDBG-DR, CDBG-MIT, and CDBG State Programs applicable to the process of such analysis will apply to the NFMP, HMGP Match Set-Aside, and ERI Program.²⁴

Unless specified otherwise, the Subrecipient shall procure all materials, property, equipment, or services in accordance with the requirements set forth in 2 C.F.R. §200.318 through §200.327. Prior to commencing any procurement action, subrecipients must have policies and procedures in place to regulate their procurement processes. Also, the Subrecipients must receive specific training detailing the rules and requirements for procurement processes.

PRDOH monitors the procurement actions of their Subrecipients as part of their oversight. Therefore, all Subrecipients are required to keep comprehensive records and documentation of their procurement processes, allowing PRDOH to carry out monitoring processes when required effectively.

PRDOH will provide technical assistance to all entities to inform them of Davis-Bacon, Section 3, and other applicable Cross-Cutting Guidelines. PRDOH will document all technical assistance provided and will not recommend match funding for noncompliant procurements.

Information on the active procurement processes under the CDBG-DR and CDBG-MIT Programs are available in English and Spanish on PRDOH website at

²³ [Procurement Manual for the CDBG-DR/MIT Program](#)

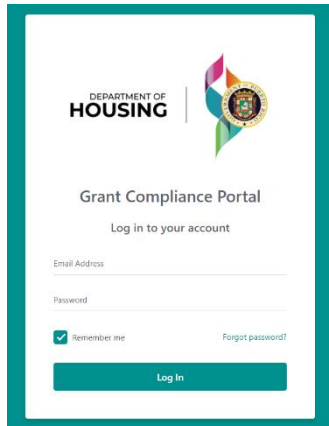
²⁴ Id.

<https://recuperacion.pr.gov/en/procurement-and-nofa/>
<https://recuperacion.pr.gov/subastas-y-nofas/>

and

9.3 Monthly Reports

Subrecipients are required to submit regular monthly progress reports to PRDOH with



the content specified and required by the SRA. These reports detail regular monthly progress and relate administrative matters and activity performance. Subrecipients must follow the instructions for monthly reporting as set forth by PRDOH CDBG-DR/MIT Programs and the SRA.

Program Areas review and evaluate the content of Monthly Reports to ascertain that Subrecipients are carrying out the activities contemplated in the SRA and performing as agreed to, among other things.

PRDOH has developed an enhanced Performance Reporting system where your organization will be able to provide some general information pertaining to your administrative activities and detailed information regarding the progress of Key Activities.

Subrecipient activities will be reported and monitored through the Grant Compliance Portal (**GCP**). Created for PRDOH, this portal will be used by Subrecipient Contract Managers, Grant Manager Points of Contact (**POC**), PRDOH POCs, and SRA Administrators to report on and monitor the use of program funds. Access to the GCP Portal will require user login credentials. If you do not have login credentials, please send an e-mail to subrecipientmanagement@vivienda.pr.gov, copying (cc:) your Program POC.

In the GCP Portal, accomplishments for Key Deliverables and Activities, schedule changes, expenses, disbursements, program income, and other transactions involving grant funds will be monitored for compliance. Such, it is important that subrecipients, particularly, familiarize themselves with the system and always maintain updated records. To access GCP, go to the following link:

https://horne2.outsystemsenterprise.com/GrantCompliancePortal/Entry_Login.aspx

Reports are generated by the portal on the 25th day of each month and must be submitted by Subrecipients by the 5th day of the following month.²⁵ Subrecipient Management Division offers ongoing training sessions on GCP. Nevertheless, if you want to receive a personalized training, please write to: subrecipientmanagement@vivienda.pr.gov to appoint your training.

9.4 Recordkeeping

Accurate recordkeeping is one of the most important aspects in successful management of CDBG-DR/MIT funded activities. Failure to maintain adequate documentation is one of the most serious administrative issues undermining program performance and regulatory compliance of subrecipients. Without adequate recordkeeping, it is nearly impossible to track performance against SRA goals and adequate management support is limited. Insufficient documentation and reporting on the Subrecipient's part can lead to serious monitoring findings which are likely to be much more difficult to resolve in cases where records are missing, inaccurate, or otherwise deficient.²⁶

Subrecipients have been provided with general reporting and recordkeeping requirements under the executed SRA. They may use the PRDOH CDBG-DR/MIT RKMA Policy²⁷ to establish their own procedures compliant with the federal and state requirements.

During the agreement period, Subrecipients and administering entities are responsible for record retention as it relates to the specific CDBG-DR/MIT program(s) or project(s) under agreement. At the end of the agreement period, PRDOH determines the manner in which files are transferred from the Subrecipient or administering entity to PRDOH and issues guidance on how to complete the file transfer.

²⁵ If the fifth (5th) of the month falls on a Saturday, Sunday or holiday, the submission date is carried over to the next business day.

²⁶ Playing by the Rules: A Handbook for CDBG Subrecipients on Administrative Systems, December 2021, <https://www.hudexchange.info/resource/687/playing-by-the-rules-a-handbook-for-cdbg-subrecipients-on-administrative-systems/>.

²⁷ The RKMA Policy are available in English and Spanish on the PRDOH website at <https://recuperacion.pr.gov/en/download/record-keeping-management-and-accessibility-policy-rkma-policy/> and <https://recuperacion.pr.gov/download/politica-sobre-manejo-administracion-y-accesibilidad-de-documentos/>.

9.5 Policies and Procedures

Subrecipients must update their policies and procedures to comply with PRDOH CDBG-DR/MIT Program policies, as well as state, and federal regulations. However, for the implementation of particular activities, the Subrecipient may be required to adopt and implement specific PRDOH CDBG-DR/MIT General policies. Therefore, PRDOH will provide all Subrecipients with a list indicating which PRDOH CDBG-DR/MIT General policies. Subrecipients shall adopt and implement certain general policies and create others of administrative matters, in case they do not have them in place. If the subrecipient already has those administrative policies and procedures in place, they must update them to comply with federal and state regulations. This list may be amended from time to time to ensure that new policies and edits of previously adopted policies are included.

The Subrecipient must submit its organization's completed Policies Self-Certification Checklist for policies and procedures related to the CDBG-DR/MIT Program to PRDOH through the GCP platform. The aforementioned is for review to ensure that the minimum requirements are met. The Monitoring Division will conduct periodic visits to all Subrecipients and will ensure that the self-certified policies comply with PRDOH CDBG-DR/MIT Program's requirements. All PRDOH CDBG-DR/MIT general policies are available on the PRDOH website at <https://recuperacion.pr.gov/en/resources/policies/general-policies/> and <https://recuperacion.pr.gov/recursos/politicas/politicas-generales/>.

9.6 Other Administrative Aspects

9.6.1 Program Income (24 C.F.R. § 570.503 and § 570.504)

Program income is defined as any gross income received by the subrecipient that was directly generated from the use of CDBG-DR or CDBG-MIT funds, except as provided in the requirements related to Revolving Loans and received by the grantee or subgrantee. 24 C.F.R. § 570.500(a). In situations where program income is generated in an activity which is only partially funded by CDBG-DR or CDBG-MIT funds, the income should be prorated to correctly reflect income attributable to CDBG-DR or CDBG-MIT funds.

PROGRAM INCOME	NOT PROGRAM INCOME
Proceeds from the sale or long-term lease of real property purchased or improved with CDBG-DR/MIT funds.	Total amounts of less than \$35,000 received in a single year.
Proceeds from the disposition of equipment purchased with CDBG-DR/MIT funds.	Amounts generated related to assistance to neighborhood-based nonprofit organizations, local development corporations, nonprofit organizations serving the development needs of the communities in non-entitlement areas, to carry out a neighborhood revitalization or community economic development or energy conservation project, and assistance to neighborhood-based nonprofit organizations, or other private or public nonprofit organizations, for the purpose of assisting, as part of neighborhood revitalization or other community development, the development of shared housing opportunities in which elderly families benefit as a result of living in a dwelling in which the facilities are shared with others in a manner that effectively and efficiently meets the housing needs of the residents and thereby reduces their cost of housing.
Gross income from the use or rental of property acquired by the grantee or subrecipient with CDBG-DR/MIT funds, less the costs incidental to the generation of such income.	
Gross income from the use or rental of property owned by the grantee or subrecipient that was constructed or improved with CDBG-DR/MIT funds, less any costs incidental to the generation of such income.	
Payments of principal and interest on loans made using CDBG-DR/MIT funds.	
Proceeds from the sale of loans made with CDBG-DR/MIT funds.	
Proceeds from the sale of obligations secured by loans made with CDBG-DR/MIT funds.	
Interest earned on program income, pending the disposition of such program income.	
Funds collected through special assessments made against properties owned and occupied by households not of low- and moderate-income, where such assessments are used to recover part or all of the CDBG-DR/MIT portion of a public improvement.	

Program Income must follow the agreed upon clause(s) by PRDOH and the Subrecipient on the executed SRA.

For more information on this topic, consult the Program Income Policy, available in English and Spanish at: <https://recuperacion.pr.gov/en/download/program-income-policy/> and <https://recuperacion.pr.gov/download/politica-de-ingresos-del-programa/>.

9.6.2 Civil Rights and Fair Housing; Employment and Contracting Opportunities (24 C.F.R. § 570.601, § 570.607 and § 570.614)

The Subrecipient shall administer its CDBG-DR/MIT funds in compliance with the following Federal laws and Executive Orders and discussed implementation regulations. These regulations focus on prohibiting discriminations and ensuring opportunities are available to those who need it.

- Title VI of the Civil Rights Act of 1964, 42 U.S.C. § 2000(d) *et seq.*;
- Fair Housing Act, Title VIII of the Civil Rights Act of 1968, 42 U.S.C. § 3601 *et seq.*;
- Executive Order 11063 – Equal Opportunity in Housing;
- Section 104(b) of Title I of the Housing and Community Development Act of 1974, as amended, 42 U.S.C. § 5304(b);
- Section 109 of Title I of the Housing and Community Development Act of 1974, as amended, 42 U.S.C. § 5309;
- Section 3 of the Housing and Community Development Act of 1968, 12 U.S.C. § 1701(u);
- Section 504 of the Rehabilitation Act of 1973, as amended, 29 U.S.C. § 794;
- The Americans with Disabilities Act (ADA) of 1990, 42 U.S.C. § 12101 *et seq.*; and
- Others, as established in the SRA between PRDOH and the Subrecipient.

9.6.3 Cross Cutting Guidelines²⁸

Some federal and local requirements apply to all programs funded by CDBG-DR/MIT. These Cross-Cutting Guidelines cover topics such as: financial management;

²⁸ The Cross-Cutting Guidelines of the CDBG-DR/MIT Programs are available in English and Spanish on the PRDOH website at <https://recuperacion.pr.gov/en/download/cross-cutting-guidelines/> and <https://recuperacion.pr.gov/download/guias-intersectoriales/>.

environmental review; labor standards; acquisition; relocation; fair housing; among others. The requirements described in the above-mentioned Cross-Cutting Guidelines apply to all programs described in PRDOH's Action Plans for CDBG-DR and CDBG-MIT amendments.

9.6.4 Capacity Building and Technical Assistance

The overall goal of the PRDOH capacity building and technical assistance initiatives is to establish standards and develop methods that will help subrecipients understand the federal administrative requirements associated with CDBG-DR and CDBG-MIT funds. Through this understanding, subrecipients will be able to improve their performance with respect to program objectives, allowable activities and implementation procedures.

PRDOH will provide these initiatives to subrecipients in the form of courses through the Core Curriculum included in the Learning Management System Talent LMS and through webinars, in person workshops and specialized technical assistance. However, it is recommended that subrecipients complete the Core Curriculum in Talent LMS prior to receiving additional capacity building initiatives.

The courses included in the Core Curriculum in Talent LMS are mandatory for all subrecipients and must be completed within the time frame established in the SRA. Webinars, in person workshops and technical assistance are optional and may be completed as deemed necessary by the subrecipient based on their specific Program needs. The Core Curriculum in Talent LMS contains five (5) modules with multiple specialized courses designed to provide the entity with a basic understanding of CDBG-DR/MIT following contract execution. These modules are categorized as follows: CDBG-DR/MIT, Grant Management and Administration Principles, Procurement, Financial Management and Federal Compliance and Labor Standards. An example of the courses included in Talent LMS are presented below. Other courses may be included based on new needs and/or regulations.

As part of the entity's administration of the CDBG-DR and CDBG-MIT funds, it is imperative that those who perform direct functions with the funds and actively participate in the Program complete the Core Curriculum through the portal.

For these purposes, subrecipients must identify five (5) members of the entity who have been assigned functions and responsibilities compatible with the following

positions: Executive Director, Legal Affairs Director, Finance Director, Procurement Director and Compliance Officer. Subrecipients of these areas and/or authorized representatives may be considered key personnel for Talent LMS purposes. In cases where one of these Director is in charge of two or more areas, the Director and Deputy Director or representative of each area must take the courses. For example: if a Director is in charge of both procurement and legal, then the Deputy Director or representative of these areas must also complete the courses. Please note that a job title does not necessarily imply that an employee performs certain functions. It is imperative that the employee taking the courses is the person who fulfills the roles and responsibilities of the positions mentioned above.

In addition to the above, subrecipients are required to attend fraud prevention training provided by the HUD Office of InspectorGeneral (**OIG**) about the proper management of CDBG-DR/MIT Grants.²⁹ PRDOH will coordinate this training with HUD annually. For more information on fraud-related topics subrecipients can refer to the Anti-fraud, Waste, Abuse, or Mismanagement Policy (**AFWAM Policy**) available on the PRDOH web page at <https://recuperacion.pr.gov/en/download/afwam-policy/> and <https://recuperacion.pr.gov/download/politica-afwam/>.

The Disaster Recovery Office will keep track of subrecipients' participation in capacity building and technical assistance initiatives. However, it is imperative that subrecipients maintain records and evidence of compliance and participation in the required and optional trainings.

10 Communications with Subrecipients

A productive support and service strategy requires open and consistent communications between PRDOH and Subrecipients for these to implement CDBG-DR/MIT programs included in the Action Plan as required by federal legislation.³⁰ PRDOH shall ensure effective communication with the Subrecipients by having at a minimum, monthly communications with the respective Program Area. These may be, but are not limited to, electronic channels, written notifications, and/or meetings. Program Areas can establish a preferred method of communication with its

²⁹ 83 FR 5844 y 84 FR 45838

³⁰ 83 FR 5844.

Subrecipient and may request and receive support and guidance from SM to ensure that Subrecipient communications are managed appropriately.

10.1 Communications Guide

The Communications Guide applies to PRDOH CDBG-DR/MIT employees, staff, subrecipients, partners, contractors, subcontractors, consultants, vendors, and third parties working on CDBG-DR/MIT funded programs. This guide ensures communications are uniform, cohesive, and follow one consistent message.

A strong and cohesive message is crucial for the consistency of a program's purposes and objectives. Likewise, it enhances the effectiveness of any communication strategy implemented by the program administrators. Therefore, a communications review process of all these communications strategies is needed to ensure message cohesiveness and transparency amid program stakeholders and participants. As part of this strategy, all communication efforts intended for the promotion of the different recovery or mitigation programs portfolio must be reviewed by the Communications Division. Subrecipients and partners must work collaboratively with the Communications Division to develop effective communications materials and design effective outreach strategies. Contractors and vendors are not required to submit any communication efforts provided by the CDBG-DR/MIT Programs for content information review because it is presumed that the provided communication material has the approval of the Communications Division.

Consequently, the Communications Division has created an evaluation process to ensure that all communications related to the CDBG-DR/MIT Programs are cohesive, transparent, and minimally compliant with the Communications Guide; the CDBG-DR/MIT Programs' marketing plans; the CDBG-DR/MIT Citizen Participation Plan; the Language Access Plan (**LAP**); and the Fair Housing and Equal Opportunities (**FHEO**); Record Keeping, Management, and Accessibility (**RKMA**); Personally Identifiable Information, Confidentiality, and Nondisclosure (**PII**); AFWAM, and any other CDBG-DR/MIT Programs policies. Likewise, compliance with any other instructions from the Communications Division is evaluated.

Subrecipients, as implementation partners, are authorized to post information on their corresponding CDBG-DR/MIT program's social media accounts. The subrecipient must follow these rules:

- They must tag the CDBG-DR/MIT social media account (e.g., Facebook, YouTube – Ex: @CDBG-DR Puerto Rico) and comply with all guidelines and requirements listed in this and other CDBG-DR Policies and Guidelines.
- Follow PRDOH CDBG-DR/MIT Program Branding Guidelines with regards to CDBG-DR Program logos, color palette, and templates.
- Follow and include all Fair Housing and Equal Opportunity requirements.

For more information on the types and methods of communications accepted by PRDOH, visit the Communications Guide which is available in English and Spanish at: <https://recuperacion.pr.gov/en/download/communications-guide/> and <https://recuperacion.pr.gov/download/guia-de-comunicaciones/>.

11 Monitoring and Contract Oversight

It is in the Island's best interest that CDBG-DR/MIT funds are spent effectively, thus accomplishing their intended purpose. Through monitoring efforts, these funds, and their results are safeguarded. A lack of monitoring, or insufficient monitoring, risks the loss of CDBG-DR/MIT funds. To ensure Subrecipients are properly carrying out activities, PRDOH has oversight mechanisms in place to track progress and monitor performance. Under 2 C.F.R. Part 200, PRDOH monitoring of subrecipients is required to ensure that:

- Subawards are used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and
- Subaward performance goals are achieved.

The Subrecipient shall be monitored as necessary to ensure that the funds allocated to the Subrecipient are used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the SRA.³¹ This evaluation shall

³¹ 2 C.F.R. § 200.332(d).

include review of financial and performance reports required by PRDOH, following-up and ensuring that the Subrecipient takes timely and appropriate actions on all deficiencies detected through audits pertaining to the Federal award provided to the Subrecipient from PRDOH, on-site reviews, and other means. By reviewing financial and performance reports, PRDOH ensures the funds are used for authorized purposes. If inadequate, a Subrecipient may be classified as high level of risk and additional conditions to mitigate the risk of non-compliance may be assigned. PRDOH may issue management decisions³² for audit findings pertaining to the Federal award provided to the Subrecipient, as required by 2 C.F.R. § 200.521. The CDBG-DR/MIT Program monitoring area has developed a Monitoring Manual and Plan for this process. Substandard performance, as specified in policies and procedures reviewed and approved by PRDOH, will inform determinations of noncompliance with the SRA.

Through ongoing monitoring, PRDOH may consider whether the results of the Subrecipient's audits, on-site reviews, or other monitoring indicate conditions that require adjustments to the SRA. Based on the indications, PRDOH may consider taking enforcement action against noncompliant subrecipients as described in 2 C.F.R. § 200.339 which discusses remedies for noncompliance.

Program Areas will perform contract oversight which will consider staff responsibilities (administrative, financial, programmatic, and technical); policies, procedures, and tools utilized; if issues and findings of non-compliance are identified and resolved in a timely manner. Based on the result of the capacity assessments, PRDOH will determine whether additional training or technical assistance is needed. The level of risk associated with the Subrecipient will be determined by their knowledge of program requirements and cross-cutting Federal requirements, the size and complexity of the program(s), financial management indicators, management factors, and citizens' complaints (quantity and management and handling process).

Should PRDOH deem it necessary based on the level of risk, they will identify a schedule for review of Subrecipient activities, which will be shared with the Subrecipient. This

³² Management decision means the Federal awarding agency's or pass-through entity's written determination, provided to the auditee, of the adequacy of the auditee's proposed corrective actions to address the findings, based on its evaluation of the audit findings and proposed corrective actions. 2 C.F.R. § 200.1.

schedule will include milestones, which shall be included in the SRA. Monthly financial progress will be tracked by comparing actual expenditures to the Subrecipient's budget and programmatic progress will be tracked using information from the Quarterly Performance Report (**QPR**).

While Program Areas are primarily responsible for the oversight of their Program Subrecipients, the Federal Compliance (**FC**) and Subrecipient Management (**SM**) Division is responsible for establishing policies, procedures, and guidance, as necessary, to allow for the adequate management and oversight of PRDOH Subrecipients. SM Division will work closely with Program and Operational Areas in establishing strategies and tools to ensure that their Subrecipient oversight activities are carried out appropriately to meet regulatory requirements. SM Division is responsible for ensuring open lines of communications between Program Areas and Operational Areas such as Monitoring and Finance, as well as with the Secretary and Disaster Recovery Deputy Secretary (**DRDS**).

These efforts, coupled with the monitoring performed by the CDBG-DR/MIT Monitoring Division, will ensure adequate performance and compliance of the Subrecipient, and as a result thereof, appropriate use of CDBG-DR/MIT funds and overall CDBG-DR/MIT Program success.

Program-based oversight of Subrecipients is part of PRDOH's overall efforts to ensure activities comply with CDBG-DR/MIT requirements, program funds are expended in accordance with applicable requirements and success is achieved. Lastly, Subrecipients will be monitored annually per the Monitoring schedule.

12 Monitoring and Audit Requirements

PRDOH will verify that subrecipients are audited as required by Subpart F - Audit Requirements of 2 C.F.R. § 200.500 when the subrecipient's Federal awards expenditures during the respective fiscal year are expected to equal or exceed the threshold set forth in 2 C.F.R. § 200.501. With regards to the responsibility for review and handling of noncompliance, 83 FR 5844 and 84 FR 45838 stipulates that "[t]he State shall make reviews and audits, including on-site reviews of any subrecipients, designated public agencies, and local governments, as may be necessary or

appropriate to meet the requirements of section 104(e)(2) of the HCDA, as amended, as modified” by applicable Notice. The CDBG-DR/MIT Monitoring Division has developed a Monitoring Manual and Plan with information regarding Subrecipient monitoring.

When applicable, Subrecipients shall provide an annual certification form to PRDOH for the previous fiscal year which states that the Subrecipient did not reach the annual expenditure threshold and that as a result it is not required to undergo a single audit as required under 2 C.F.R. Part 200. PRDOH will provide such annual certification form to the Subrecipient.

13 SRA Closeout

PRDOH will work with subrecipients to ensure all closeout requirements are met prior to releasing the final payment to the subrecipient. PRDOH will close out the SRA when it determines that the subrecipient has completed all eligible activities in accordance with the terms and conditions of the SRA, program policies, and local and federal requirements, or when it is determined that there is no further benefit in keeping the agreement open to secure performance.

As part of the SRA Closeout Process, Subrecipients are responsible for complying with the following requirements:

- Performance reports, if applicable, have been submitted.
- All reporting requirements, if applicable, were completed and submitted.
- Program Compliance requirements have been met.
- Special conditions, if any, were met.
- All audit and monitoring issues affecting the project and/or grant were resolved.
- Necessary documentation and records, if applicable, have been collected.
- Asset disposition process has been completed.
- SRA responsibilities have been fulfilled; or PRDOH has determined that there is no further benefit in keeping the agreement open to secure performance.
- All activities are eligible, were completed consistent with the Scope of Work (**SOW**), and met a national objective as described in the Action Plan and

Program Guidelines for the specific program; or PRDOH has determined that there is no further benefit in keeping the agreement open to secure performance and activities are completed to a PRDOH-established threshold, if applicable.

- All deliverables were completed; or PRDOH has determined that there is no further benefit in keeping the agreement open to secure performance, and the agreement will end with the deliverables, if any, completed to date or as established by PRDOH.
- All milestones were met; or PRDOH has determined that there is no further benefit in keeping the agreement open to secure performance, and the agreement will end with the milestones, if any, met to date or as established by PRDOH.
- Revise financial accomplishments related to the SRA to enable reconciliation and closeout of activities associated with the SRA.
- Recordkeeping requirements were met.
- All outstanding invoices have been submitted.
- The completed Asset Disposition Form has been received.

The subrecipient's obligations to PRDOH shall not end until all closeout requirements are met. Documents demonstrating compliance must be retained by the subrecipient for a period of **five (5) years** after closing of the SRA. Personnel files must be kept separate from correspondence and other program-related files.

14 Noncompliance

Notwithstanding the actions included in the Monitoring and Contract Oversight section of this Policy, should the Subrecipient not comply with the requirements set forth in this Policy and referenced documents, 83 FR 5844 and 84 FR 45838 allow PRDOH to "take such actions as may be appropriate to prevent a continuance of the deficiency, mitigate any adverse effects or consequences, and prevent a recurrence." PRDOH shall also establish remedies to address noncompliance. The specific conditions, as set forth in 2 C.F.R. § 200.208, may be required of the Subrecipient if the latter presents a risk, a history of noncompliance, fails to meet performance goals or

when the Subrecipient is not responsible. These additional conditions shall be notified to the Subrecipient.

A Subrecipient is expected to comply with and meet the established requirements contained in the SRA. Through documented oversight efforts, the Program Area and Subrecipient Management will ensure that necessary actions are followed when a nonperformance or lack of progress or instances of possible non-compliance are identified by the Program Area and notified to Subrecipient Management. In such cases, PRDOH may generally proceed as follows:

1. Written notification sent to Subrecipient which may include a statement and explanation of instance of non-performance, lack of progress or possible non-compliance and corrective action. Such notification is intended to provide Subrecipient with a term for corrective action.
 - a. PRDOH and the Subrecipient may work together to identify a solution to the problem and will develop a plan to meet the performance requirements.
2. PRDOH may impose a recovery plan in the event that Subrecipient is unable to provide corrective action based on the above.
3. Initiation of termination of SRA and recovery of funds in accordance with the provisions found thereunder and adopted standardized operating procedures (**SOPs**).

If solicited by the DRDS, the PRDOH Legal Director, and the PRDOH Finance Director (PRDOH Management) to be aware of actions taken with Subrecipients as outlined above, the SM Division will provide them with quarterly reports containing pertinent actions, information, and any adequate recommendations related to the noncompliance of the Subrecipient in question. However, in instances where termination of the SRA and recovery of funds is recommended, the SM Division will immediately report such cases to the Legal Director and subsequently to the DRDS and the Secretary for final determination on whether to proceed with termination of the SRA in accordance with the provisions found thereunder.

15 Approval

This Subrecipient Management Policy will take effect immediately after its approval.
This document supersedes any previously approved version.

END OF POLICY.