



DEPARTMENT OF
HOUSING



CDBG-DR

SUBRECIPIENT MANAGEMENT POLICY

Applicable to all PRDOH CDBG-DR and CDBG-MIT Programs

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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.

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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 (**CDBG-DR**) and Mitigation (**CDBG-DR/MIT**) Programs¹ under a Subrecipient Agreement (**SRA**) with a non-federal entity. It is intended to establish the policy pertaining to regarding PRDOH management and oversight of Subrecipient's activities as well as to provide the Subrecipient with the general expectations for Program compliance. Although some portions of this policy involve complex Federal regulations, this Policy summarizes the essential elements for proper Program operation of the Program applicable to the key management areas.

This The Policy is neither intended to be all-inclusive nor so restrictive that it cannot be amended. This Policy Nor does it not apply to entities who were determined to be Contractors by the PRDOH. 2 C.F.R. § 200.331.

2 Policy

Proper subrecipient management is necessary not only to comply crucial to compliance with Federal regulations, but as well as to improve service delivery to the hurricane-ravaged Island of Puerto Rico. CDBG-DR/MIT funds invested in the Puerto Rican communities have to be meticulously managed through practices that ensure federal and local compliance.

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

Responsibilities of Subrecipients 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 Subrecipient Agreement; and
- Meet established performance goals.

Ultimately, However, PRDOH, as the grantee, is ultimately responsible for Subrecipient compliance and performance. 24 C.F.R. § 570.501.

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

Prior to the release of CDBG-DR/MIT funds from the by PRDOH, a written SRA must be executed with the Subrecipient. The SRA remains in effect during any period that the Subrecipient is operating ~~a program~~ 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 is the earliest~~.

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.

The Subrecipient is responsible for obtaining the necessary federal, state, and local permits and licenses required to execute the program. The Subrecipient shall also 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.

The Federal Compliance (FC) and Subrecipient Management (FCSM) Units are responsible for establishing policies, procedures, and guidance, as necessary, to allow for the adequate management and oversight of PRDOH Subrecipients. SM 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 is responsible for ensuring open lines of communications between Program Areas and Operational Areas such as Monitoring and Finance, but ~~else~~ as well as with the Secretary and Disaster Recovery Deputy Secretary (DRDS).

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. 24 C.F.R. § 570.500(c). It is further defined at 2 C.F.R. § 200.1 as 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. Unless otherwise noted, the term "**Subrecipient**" will be used throughout this Policy to denote entities who the PRDOH determined were subrecipients and who are receiving CDBG-DR/MIT funds pursuant to an executed written SRA. 2 C.F.R. § 200.331.

3.1 Who is a Subrecipient?

- Governmental entities, such as government agencies and municipalities;
- Private Non-profits organizations; and

- Private For-profits organizations only as authorized under 24 C.F.R. § 570.201 (o).²

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. ~~If PRDOH explicitly designates that CBDO as a Subrecipient, this Policy shall apply.~~ 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).
- Privately- or publicly held for-profit entity receiving funds as a beneficiary under a program.

4 National Objectives³

All projects in the Program must meet ~~one (1) of three (3)~~ 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. ~~Federal Register Vol. 83, No. 28 (February 9, 2018), 83 FR 5844 and~~ 24 C.F.R. § 570.208(d)(4).

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 ~~funding for~~ 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.

² (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.

³ 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>.

All CDBG-DR Program Guidelines are available in English and Spanish on the PRDOH website at <https://cdbg-dr.pr.gov/en/resources/policies/program-policies/> and <https://cdbg-dr.pr.gov/recursos/politicas/politicas-de-programas/>. In addition, all CDBG-MIT Program Guidelines will be available in English and Spanish at: <https://cdbg-dr.pr.gov/en/download/program-guidelines/> and <https://cdbg-dr.pr.gov/download/guias-programaticas/>.

~~In compliance with CDBG-DR regulations at 42 U.S.C § 5305 and 24 C.F.R. § 570.483, eligible projects or activities must result in a benefit to low- and moderate-income persons (LMI) citizens, serve an urgent need, or eliminate slum and blight conditions for local citizens as a complete activity or project.~~

All CDBG-DR/MIT funded activities must meet at least one (1) of the following ~~three (3)~~ national objectives defined in the authorizing statute of the CDBG Program:

1. Benefit to low- and moderate-income (LMI) (24 C.F.R. § 570.483(b))⁴
Under this national objective, the ~~Subrecipient clients~~ who benefits from the CDBG-DR/MIT funded activities or program must have low- and moderate-incomes, as defined by HUD.⁵ 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.
 - ~~a. Low and Moderate Income LMI Area Benefit Activity - An area benefit activity is an~~ Activity whose benefits are available to all the residents in a particular area, where at least fifty one percent (51%) of the residents are low and moderate income LMI persons. 24 C.F.R. § 570.483(b)(1).
 - ~~b. Low and Moderate Income LMI Limited Clientele Activity - A limited clientele activity is an~~ 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 low- and moderate-income persons. 24 C.F.R. § 570.483(b)(4).
2. Aid in prevention or elimination of Slums or Blight (SB) (24 C.F.R. § 570.483(c)) (CDBG-DR only)

⁴ Additional national objectives for Housing Incentives and Buyouts can be found in CDBG-DR Policy Guide, Chapters 3 and 4, <https://files.hudexchange.info/resources/documents/CDBG-DR-Policy-Guide.pdf>.

⁵ CDBG income limit information can be found at <https://www.hudexchange.info/resource/5334/cdbg-income-limits/>.

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 (24 C.F.R. § 570.483(d)) (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 alternative requirements to include a new Urgent Need National Objective criterion for CDBG-MIT activities.⁶

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.

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.

4.1 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 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 low/moderate income LMI or presumed to be low/moderate income LMI (by category).
LMI Housing	<ul style="list-style-type: none"> • The size, annual income, and FHEO (Fair

⁶ Federal Register Notice Vol. 84, No. 169 (August 30, 2019), 84 FR 45838.

	<p>Housing and Equal Opportunity) characteristics of households occupying CDBG-assisted and designated LMI units</p> <ul style="list-style-type: none"> • 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 • 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.

5 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 particular programmatic activity DOB requirements.⁷

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.⁸

6 Eligible Activities

All CDBG-DR funded activities must clearly address an impact of the disaster for which funding was allocated.⁹ ~~83 FR 5844~~. 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).¹⁰
- 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).

⁷ See Duplication of Benefits Policy in English and Spanish at <https://cdbg-dr.pr.gov/en/download/duplication-of-benefits-policy/> and <https://cdbg-dr.pr.gov/download/politica-sobre-la-duplicacion-de-beneficios/>.

⁸ 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.

⁹ 83 FR 5844.

¹⁰ 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://www.cdbg-dr.pr.gov/en/resources/federal-register/>.

- Meet 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."¹¹ 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."¹²
- Address the current and future risks as identified in the Mitigation Needs Assessment of MID areas.

7 Start-Up and Post Award

7.1 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.

7.2 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.¹³

7.2.1 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, and to assure compliance with program regulations. 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;

¹¹ 84 FR 45838

¹² https://www.fema.gov/sites/default/files/2020-07/mitigation_homeowners_fact_sheet_2017.pdf.

¹³ For a full description, see *Managing CDBG A Guidebook for CDBG Grantees on Subrecipient Oversight*, Chapter 2 <https://www.hudexchange.info/resource/407/managing-cdbg-guidebook-for-cdbg-grantees-on-subrecipient-oversight/> <https://www.hudexchange.info/resource/6577/managing-cdbg-guidebook-for-cdbg-grantees-on-subrecipient-oversight/>.

- 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.¹⁴

7.2.2 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 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 ~~quicker~~ faster results, thereby more quickly addressing the unmet need; and
- It can be reasonably concluded that the minimum ~~project~~ needs of the Program ~~project~~ 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.

7.3 Capacity Assessment

PRDOH is responsible for determining the adequacy of performance under SRAs. 24 C.F.R. § 570.501. The adequacy of performance must be gauged before any work begins. ~~It is required~~ Under 2 C.F.R. § 200.332(b), ~~for grantees to~~ ~~must~~ assess their subrecipients' capacity. A well-thought-out assessment, prior to the selection of a subrecipient, helps reduce the risk of future problems and increases the chance of success. ~~To that end,~~

¹⁴ Id.

PRDOH will ~~accomplish this by assessing~~ **assess** the capacity of the Subrecipients. The Capacity Assessment Report is conducted and prepared by ~~the PRDOH CDBG-DR/MIT Monitoring SM Unit Division~~. A capacity assessment provides the **needed** information ~~needed~~ 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

7.4 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.

7.5 Post Award Responsibilities

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

1. Comply with provisions of the SRA and its Exhibits, including but not limited to:
 - a. General requirements included thereunder.
 - b. Reporting requirements, performance, and **service** ~~delivery of services~~ requirements.
 - c. Any special conditions, as applicable, which may include 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 and** 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.

8 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 of time (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://cdbg-dr.pr.gov/en/written-agreements/>.

8.1 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://cdbg-dr.pr.gov/en/download/contract-and-subrecipient-agreement-manual/> and <https://cdbg-dr.pr.gov/download/manual-para-contratos-y-acuerdos-de-subrecipiente/>.

9 Technical Assistance and Trainings

PRDOH provides ongoing technical assistance to the Subrecipient to support the compliant implementation of the programs and to ensure timely contracting and expenditure of funds. Technical assistance is either provided on a scheduled basis, on an *ad-hoc* basis determined by an analysis of risk assessment criteria, or at the Subrecipient's request.

Additionally, an initial one-on-one meeting may be scheduled at the discretion of PRDOH to discuss specific requirements and benchmarks. This initial session(s), held with the Program Area and the SM Unit after the execution of the SRA and prior to the first deliverable, serves to educate the Subrecipient about the basic rules under which all CDBG-DR/MIT activities must operate. It also provides an opportunity to establish clear expectations with respect to performance standards, policies, and procedures. Additional technical assistance is available upon request to the Program Area who is responsible to coordinate for coordinating with training areas. Subrecipients who are identified through PRDOH's monitoring processes, may receive additional and/or customized assistance as needed.

~~It is required for~~ Both, PRDOH and subrecipients, are required to attend fraud related training provided by the HUD Office of Inspector General to assist in the proper management of CDBG-DR/MIT grant funds.¹⁵ ~~Federal Register Vol. 83 No. 26 (February 7, 2018), 83 FR 5844.~~ For more information, see the PRDOH CDBG-DR/MIT Anti-Fraud, Waste, Abuse, and Mismanagement Policy (**AFWAM Policy**).

The AFWAM Policy and all CDBG-DR/MIT Programs general policies are available in English and Spanish on the PRDOH website at <https://www.cdbg-dr.pr.gov/en/resources/policies/general-policies/> and <https://cdbg-dr.pr.gov/recursos/politicas/politicas-generales/>. ~~<https://www.cdbg-dr.pr.gov/en/resources/policies/> and <https://www.cdbg-dr.pr.gov/recursos/politicas/>.~~

As a result of the recommendations in the Capacity Assessment Report, conducted and prepared by PRDOH ~~CDBG-DR Monitoring Division~~, the Subrecipient ~~shall have~~ has to comply with the following mandatory trainings to address topics such as, but not limited to:

Module Series Name	Module Description
CDBG-DR 101-107	Participants will learn the basic requirements for CDBG-DR, eligible disaster activities, national objectives requirements and the waiver process.
Fair Housing & Equal Opportunity 101	This module introduces the federal compliance statutes and federal guidance on Fair Housing, Equal Opportunity and

¹⁵ 83 FR 5844 and 84 FR 45838.

	related requirements, their applicability, and what triggers the need to comply for different program areas.
Davis-Bacon 101	This module introduces the federal compliance statutes and other federal guidance on Davis-Bacon, its applicability, and what triggers the need to comply.
Section 3 & M/WBE 101	This module introduces the federal compliance statutes and other federal guidance on Section 3 and M/WBE, its applicability, and what triggers the need to comply.
Environmental 101	This module introduces Environmental Review requirements typically associated with CDBG-DR/MIT activities, timing and planning considerations for compliance, and tips and resources available to grantees.
Procurement 101- 102	This module These modules introduces Procurement terminology and processes. The module will also approach Conflict of Interest concepts relevant to Procurement Processes.
Finance 101- 104	These modules introduce Finance terminology and processes. The modules will also include the development of internal controls and implementation of such, as well as monitoring procedures to ensure the effectiveness of internal protocols.
Recordkeeping 101-102	This module These modules introduces Recordkeeping requirements and processes.
Anti-fraud, Waste, Abuse & Mismanagement 101	This module introduces Anti-fraud, Waste, Abuse and Mismanagement requirements and processes. The session will also approach Conflict of Interest concepts.
Citizen Complaints	This module sets out the compliance requirements for the filing and handling of citizen complaints.
Protection of Personally Identifiable Information (PII)	This module sets out the requirements for the protection of personally identifiable information (PII).

Due dates for completion of such trainings will depend on the SRA. The ~~above~~ mentioned trainings and technical assistance will be conducted by PRDOH for the Subrecipients and, in an effort to preserve documented records of such trainings, the information gathered from these events will be documented and logged by the PRDOH Operations Division.

10 Communications with Subrecipients

A productive support and service strategy requires open and consistent communications between PRDOH and Subrecipients ~~in order~~ for these to implement CDBG-DR/MIT programs included in the Action Plan as required by federal legislation.¹⁶ PRDOH shall ensure effective communication with the Subrecipients by having, at a minimum,

¹⁶ Federal Register Vol. 83, No. 28 (February 9, 2018) 83 FR 5844.

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 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 off 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. Contractor 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. 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://cdbg-dr.pr.gov/en/download/communications-guide/> and <https://cdbg-dr.pr.gov/download/guia-de-comunicaciones/>.

11 Administrative Requirements

11.1 Financial Management

Financial Management systems and reporting requirements are established in 24 C.F.R. § 570.502, which in turn refer to 2 C.F.R. Part 200 (save for the exceptions established except as set forth in 24 C.F.R. § 570.502). These requirements are set forth in order 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 the reporting requirements of PRDOH or HUD.
- Minimize the time elapsed in between the transfer of funds and disbursement by the subrecipient.¹⁷

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

¹⁷ Playing by the Rules: A Handbook for CDBG Subrecipients on Administrative Systems, December 2021, <https://files.hudexchange.info/resources/documents/Playing-By-the-Rules-a-Handbook-for-CDBG-Subrecipients-On-Administrative-Systems.pdf>

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

The Financial Policy and all CDBG-DR/MIT Programs' general policies are available in English and Spanish on the PRDOH website at <https://www.cdbg-dr.pr.gov/en/resources/policies/general-policies/> and <https://cdbg-dr.pr.gov/recursos/politicas/politicas-generales/>.

11.1.1 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 question 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?

11.1.2 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:

- Chart of 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.

11.1.3 Allowable Costs

Per basic guidelines set forth by the United States Office of Management and Budget (OMB), ~~establish~~ 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 ~~consistently treated~~ accorded consistent treatment.
- The cost
 - Must be allocable to the CDBG-DR or CDBG-MIT Program.
 - Is net of all applicable credits.

11.1.4 Source Documentation

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

- Were incurred during the effective period of the SRA ~~subrecipient's agreement~~;
- 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.¹⁸

11.1.5 Budget Controls

Subrecipients must have practices in place that allows 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

¹⁸ Playing by the Rules: A Handbook for CDBG Subrecipients on Administrative Systems, December 2021, <https://files.hudexchange.info/resources/documents/Playing-By-the-Rules-a-Handbook-for-CDBG-Subrecipients-On-Administrative-Systems.pdf>.

- Compare, on an ongoing basis, actual obligations, and expenditures to date against planned obligations and expenditures, and against projected accomplishments for such outlays.

11.1.6 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 grant funds have two (2) general methods to transfer these funds to subrecipients: reimbursement and cash advance.

- Reimbursement

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 ~~and consistent with the approved Budget and Scope of Work.~~

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:

- 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.

11.1.7 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 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.

11.2 Procurement & Contracting

11.2.1 Procurement Manual for the CDBG-DR Program, Regulation No. 9205

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.

~~On August 4, 2020, PRDOH approved "Procurement Manual for the CDBG-DR Program", Regulation No. 9205, effective on September 3, 2020 (**Regulation No. 9205**), which repeals the "Procurement Manual and Contractual Requirements for CDBG-DR", Regulation No. 9075 of February 26, 2019 (**Regulation No. 9075**); and any other previous regulation, manual, administrative order, or circular letter regarding this matter. The Procurement Manual Frequently Asked Questions was also approved on August 25, 2020.~~

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 the commencement of any procurement action, ~~covered by the current Procurement Manual~~, the Subrecipient may receive specific training detailing the rules and requirements for procurement processes of the Manual. PRDOH monitors the procurement actions of their Subrecipients as part of their oversight.

~~Regulation No. 9205 is currently under revisions and pending approval. However, all published procurements before April 28, 2021, must abide by the Procurement Manual, Regulation No. 9205.~~

The Procurement Manual for the CDBG-DR Program and the Procurement Manual for the CDBG-DR Program Frequently Asked Questions are available in English and Spanish on PRDOH website at <https://cdbg-dr.pr.gov/en/cdbg-dr-procurement/> and <https://cdbg-dr.pr.gov/adquisiciones-cdbg-dr/>.

Information on the procurement processes under the CDBG-DR and CDBG-MIT Programs ~~fund~~ is also available in English and Spanish on PRDOH website at <https://www.cdbg-dr.pr.gov/en/procurement-and-nofa/> and <https://www.cdbg-dr.pr.gov/subastas-y-nofas/>.

11.2.2 Procurement Requirements Non-Federal Match Program- Administrative Order 21-19

On April 14, 2021, PRDOH approved ~~the~~ Administrative Order 21-19, to grant the Non-Federal Match Program (**NFM**) an exemption from complying with the Procurement

Manual for the CDBG-DR Program and to ~~order the implementation of~~ **implement** the recommendations set forth in the Implementation Guidance for Use of Community Development Block Grant Disaster Recovery Funds as Non-Federal Cost Share for the Public Assistance Program, ~~Art. VII, section D(3)~~, Regarding the procurement requirements established by the Federal Emergency Management Agency (**FEMA**), ~~The~~ Art. VII, section D (3) **of the guidance** establishes:

HUD CDBG-DR grants to local governments are subject to the same procurement requirements that apply to procurements by local governments using FEMA PA funds.

To streamline the use of CDBG-DR funds for Local Match, State CDBG-DR Grantees (and other CDBG-DR Grantees subject to State CDBG rules under a waiver and alternative requirement) should consider including a provision in their procurement requirements that adopts FEMA procurement requirements for activities that will be used to satisfy FEMA Local Match. This will eliminate confusion about which procurement rules apply. CDBG-DR Grantees should consider including this provision when submitting documentation to support the Secretary's certification of proficient procurement processes. If the CDBG-DR Grantee did not include this provision in its original submission and wishes to modify its certifications, it should do so immediately by formally resubmitting its certifications to HUD to reflect the material changes.

State CDBG-DR Grantees that adopt FEMA PA procurement requirements for activities that satisfy PA Local Match must obtain and maintain records to document how the procurement complied with PA procurement requirements. Additionally, if not completed by FEMA, the CDBG-DR Grantee may need to take additional steps to evaluate the cost or price of the product or service.

PA Applicants that procure goods or services before they know whether CDBG-DR grants are available for Local Match may wish to include in the procurement solicitation documents that the contract may be amended from time to time to expand the scope to include work funded by other Federal sources, subject to applicable requirements. This will allow the contract to be modified in the future to include terms mandated for CDBG-DR assisted contracts (e.g., ability to hire section 3 residents, ability to subcontract with section 3 businesses, comply with Davis Bacon, or add a liquidated damage provision).

Consequently, **procurement processes** for projects receiving CDBG-DR match funding under the NFM Program are subject to full compliance with FEMA PA procurement

requirements, as stated in Administrative Order 21-19. Participants of the NFM 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. The exemption from compliance with Procurement Manual applies to all Subrecipient.¹⁹

However, ~~the~~ Participants of ~~the~~ NFM are not excluded from complying with Article VI Minority, Small and Section 3 Business Participation, Article X Official Records and Article XIII Low and Very Low-Income Persons or Firms Participation of the Procurement Manual, Regulation 9205. Also, in the event that FEMA does not complete a Cost and Price analysis, the sections of the Procurement Manual pertinent to the process of such analysis will apply to the NFM Program. PRDOH will take maximum efforts to 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.

~~The~~ Administrative Order 21-19 has immediate and retroactive effectiveness.

11.2.3 Procurement Requirements for Municipalities – Administrative Order 21-20

On that same date, PRDOH issued ~~the~~ Administrative Order 21-20, which excludes **Municipalities** from compliance with ~~the~~ Regulation No. 9205 and **allows them to conduct their procurement procedures using the dispositions of 2 C.F.R. § 200.318 through 2 C.F.R. § 200.327 in their acquisition procedures related to the CDBG-DR Program.**

PRDOH implemented the disposition of 2 C.F.R. § 200.317 that establish that all other non-Federal entities, including subrecipients, must follow the procurement standards provided in 2 C.F.R. § 200.318 through 2 C.F.R. § 200.327. Therefore, all Municipalities are exempt of complying with the Procurement Manual for the CDBG-DR Program, Regulation No. 9205 and the acquisition procedures must comply with the dispositions of 2 C.F.R. § 200.318 through 200.327.

PRDOH requires that Municipalities comply with the policies and procedures required for responsible spending of CDBG-DR funds. Specifically, they must keep a record of their acquisition processes that allows PRDOH to effectively carry out the monitoring processes when required.

~~The~~ Administrative Order 21-20 has immediate and retroactive effectiveness.

11.2.4 Procurement Requirements for Subrecipients – Administrative Order 21-27

On April 28, 2021, PRDOH issued ~~the~~ Administrative Order 21-27, which excludes all Subrecipients from compliance with the Regulation No. 9205. Consequently, their procurement processes are subject to the standards set forth in 2 C.F.R. § 200.318 through

¹⁹ OA 21-28 To clarify that the exemption granted by the OA-21-19 applies to all subrecipients.

2 C.F.R. § 200.327. Lastly, the Administrative Order 21-27 provides that **the procurement processes that were published before April 28, 2021, will continue to comply with the Procurement Manual, Regulation No. 9205.** Nonetheless, all Subrecipients are required to keep comprehensive records and documentation of their procurement processes to allow PRDOH to effectively carry out monitoring processes when required.

11.2.5 Procurement Requirements for Hazard Mitigation Grant Program (HMGP) Global Match - Administrative Order 22-56

On July 29, 2022, PRDOH approved Administrative Order 22-56, to grant the CDBG-MIT HMGP Global Match set-aside an exemption from complying with the Procurement Manual for the CDBG-DR Program and to implement the recommendations set forth in the Implementation Guidance for Use of Community Development Block Grant Disaster Recovery Funds as Non-Federal Cost Share for the Public Assistance Program.

Consequently, procurement processes under the HMGP Global Match are subject to full compliance with FEMA procurement requirements. Participants 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.

However, participants of the HMGP Global Match are not excluded from complying with Article VI Minority, Small and Section 3 Business Participation, Article X Official Records and Article XIII Low and Very Low-Income Persons or Firms Participation of the Procurement Manual, Regulation 9205. Also, in the event that FEMA does not complete a Cost and Price analysis, the sections of the Procurement Manual pertinent to the process of such analysis will apply to the HMGP Program. PRDOH will take maximum efforts to 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.

11.3 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 record keeping, 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.²⁰

~~While the~~ Subrecipients ~~has~~ ~~have~~ been provided with general reporting and recordkeeping requirements under the executed SRA. ~~Nevertheless, they the~~ Subrecipient may find further details and information on this matter in the CDBG-DR/MIT ~~Record Keeping, Management, and Accessibility Policy~~ RKMA Policy. 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.

In addition, Subrecipient and administering entities can look to the RKMA Policy for standard file management and recordkeeping guidance. This guidance includes standard formatting procedures to support file transfers at agreement closeout. 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.

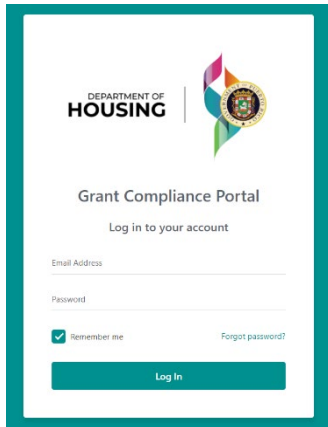
The RKMA Policy and all CDBG-DR/MIT ~~general~~ polices are available in English and Spanish on the PRDOH website at <https://www.cdbg-dr.pr.gov/en/resources/policies/general-policies/> and <https://cdbg-dr.pr.gov/recursos/politicas/politicas-generales/>.

Subrecipients and administering entities are responsible for adhering to PRDOH-approved policies. In the event a Subrecipient or administering entity does not have existing recordkeeping policies, the PRDOH RKMA Policy may be adopted and implemented.

²⁰ Playing by the Rules: A Handbook for CDBG Subrecipients on Administrative Systems, December 2021, <https://files.hudexchange.info/resources/documents/Playing-By-the-Rules-a-Handbook-for-CDBG-Subrecipients-On-Administrative-Systems.pdf>.

11.4 Monthly Reports

The Subrecipients are required to submit regular monthly progress reports to PRDOH utilizing the published PRDOH form(s) and 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 provide Subrecipients with the monthly progress report templates to be filled and submitted to PRDOH. Program Areas review and evaluate the content of Monthly Reports to ascertain that Subrecipients are carrying out 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 helpdeskpr@hornellp.com, 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 URL: <https://horne2.outsystemsenterprise.com/GrantCompliancePortalLayout/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.²¹ On the third Tuesday, Wednesday and Thursday of each month, SM Unit offers a refresher GCP workshop. Subrecipients must register using this link:

- [Registry link for Reports Refresher session](#)
- [Registry link for Procurement and Contracts Refresher session](#)

²¹ 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.

- [Registry link for Request for Information and Concierge](#)

11.5 Policies and Procedures

The Capacity Assessment Report, ~~conducted and prepared by PRDOH CDBG-DR Monitoring Division,~~ will inform the Subrecipient of the required policies to be ~~should~~ implemented, updated, and developed.

The Subrecipients is ~~required to~~ must update its ~~their~~ policies and procedures in order to comply ~~compliance~~ with PRDOH CDBG-DR/MIT Program policies, 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 of which PRDOH CDBG-DR/MIT General policies shall be adopted and implemented, and which shall be used to create or edit their own. This list may be amended from time to time to ensure that new policies and edits to 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 for review to ensure 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 Program general policies are available in English and Spanish on the PRDOH website at <https://www.cdbg-dr.pr.gov/en/resources/policies/general-policies/> and <https://cdbg-dr.pr.gov/recursos/politicas/politicas-generales/>.

11.6 Other Administrative Aspects

11.6.1 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
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.	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 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 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://cdbg-dr.pr.gov/en/download/program-income-policy/> and <https://cdbg-dr.pr.gov/download/politica-de-ingresos-del-programa/>.

11.6.2 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.

11.6.3 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 implementing regulations discussed. 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) *et seq.*;
- Section 109 of Title I of the Housing and Community Development Act of 1974, as amended, 42 U.S.C. § 5309 *et seq.*;
- 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 *et seq.*;
- 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 Exhibit for HUD General Provisions.

11.6.4 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.

12 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 an 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.²² 2 C.F.R. § 200.332(d). This review evaluation shall include reviewing of financial and performance reports required by the 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 detected through audits, on-site reviews, and

²² 2 C.F.R. § 200.332(d).

other means. By reviewing financial and performance reports, PRDOH ensures the funds are used for authorized purposes, if inadequate, a Subrecipient may be moved to a higher level of risk and additional conditions to mitigate that risk of non-compliance may be assigned. PRDOH may issue management decisions²³ for audit findings pertaining to the Federal award provided to the Subrecipient, from PRDOH 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 ~~speaks to~~ discusses remedies for noncompliance.

~~Contract oversight performed by the Program Areas~~ will perform contract oversight which will consider staff responsibilities (administrative, financial, programmatic, and technical); policies, procedures, and tools utilized; ~~methods of~~ whether or not nonperformance issues and findings are identified and resolved in a timely manner. Based on the result of the ~~For these, PRDOH will use the results of~~ capacity assessments ~~to~~, PRDOH will determine whether additional ~~require needed~~ training or technical assistance is needed. The level of risk associated ~~to~~ 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 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 by using information from the Quarterly Performance Report (QPR).

While Program Areas are primarily responsible ~~of performing~~ for the oversight of their Program Subrecipients, SM will work closely with Program Areas to provide guidance and support in overseeing Subrecipients to ensure performance and compliance are in accordance with the SRA. These efforts, coupled with the monitoring performed by the

²³ 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.

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.

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

13 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 it is expected that the subrecipient's Federal awards expended expenditures during the respective fiscal year are expected to equal or exceeded the threshold set forth in 2 C.F.R. § 200.501. With regards to the responsibility for review and handling of noncompliance, in 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. 83 FR 5844." The CDBG-DR/MIT Monitoring Division has developed a Monitoring Manual and Plan with information regarding Subrecipient monitoring.

The SRA provides that the Subrecipients will be audited as required by 2 C.F.R. Part 200, Subpart F when it is expected that the Subrecipient's Federal awards expenditures expended during the respective fiscal year are expected to equal or exceeded the threshold set forth in §200.501 Audit requirements.

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.

14 Project Closeout

The closeout of a grant is a process in which PRDOH determines that applicable administrative and program requirements of the applicable SRA between PRDOH and the subrecipient have been completed. The closeout process will include steps taken to ensure that the subrecipient:

- Expends all grant funds in accordance with needs or return funds
- Updates accomplishments data to reflect all activities completed (or canceled)

- Updates the performance measures for actual versus proposed

15 Cross Cutting Guidelines

Some federal and local requirements apply to all programs funded by CDBG-DR/MIT. These Cross-Cutting Guidelines cover topics such as: financial management; environmental review; labor standards; acquisition; relocation; fair housing; among others. The requirements described in the above referenced Cross-Cutting Guidelines apply to all programs described in PRDOH's Action Plans for CDBG-DR and CDBG-MIT as well as their corresponding Initial Action Plan and its amendments.

The Cross-Cutting Guidelines and all CDBG-DR/MIT Program general policies are available in English and Spanish on the PRDOH website at <https://www.cdbg-dr.pr.gov/en/resources/policies/general-policies/> and <https://cdbg-dr.pr.gov/recursos/politicas/politicas-generales/>.

16 CDBG-DR Frequently Asked Questions Guide

This document is designed to provide simple answers to the most frequently asked questions related to CDBG-DR and its implementation. Additionally, it provides additional context about finance, acquisition procedures, contracting, subrecipient agreements, policies, federal requirement compliance amongst other topics.

The Frequently Asked Question Guide is available on the PRDOH website: <https://cdbg-dr.pr.gov/en/download/cdbg-dr-program-frequently-asked-questions/>.

17 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 allows 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 SM 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 SM. 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 applicable **standardized operating procedures (SOPs)**.

In order for 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 Unit will provide them with quarterly reports with containing pertinent actions, information and any adequate recommendations related to the Subrecipient in question. However, in instances where the termination of SRA and recovery of funds is recommended, the SM will immediately report any such instances to the Legal Director and subsequently to the DRDS and the Secretary for final determination to proceed with termination of the SRA in accordance with the provisions found thereunder.

18 Approval

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

END OF POLICY.