



DEPARTMENT OF
HOUSING



CDBG-DR SUBRECIPIENT MANUAL

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

November 03, 2021

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¹ To access the embedded documents, please use Adobe Reader and double click on the icon.

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CDBG OVERVIEW & PURPOSE

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SUBRECIPIENT RESPONSIBILITIES

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PRDOH RESPONSIBILITIES

1.1 INTRODUCTION: WHAT IS THE CDBG-DR PROGRAM?

On September 17, 2018 the U.S. Department of Housing and Urban Development (**HUD**) and the Government of Puerto Rico signed a Grant Agreement wherein Puerto Rico became the recipient of Community Development Block Grant-Disaster Recovery (**CDBG-DR**) funds with the Puerto Rico Department of Housing (**PRDOH**) acting as Grantee.² These block grant funds have been allocated for the purpose of the long-term recovery from Hurricanes Irma and María, which impacted the archipelago of Puerto Rico in September 2017. To date, Puerto Rico is the Grantee with the largest allocation of CDBG-DR funds in the history of the United States. This means that adequate expenditure of those funds is critical and oversight responsibilities are heightened.

As of January 2021, Puerto Rico has received two additional HUD allocations to address mitigation of current and future risks through a new CDBG-Mitigation (**CDBG-MIT**) grant announced in 2018, and an additional CDBG-DR allocation for the recovery from 2020 earthquake events. As the HUD CDBG-MIT and CDBG-DR grants are based on the same CDBG regulatory framework, administrative guidance in the Manual applies to both, unless otherwise specified.

These additional grant allocations to Puerto Rico are also administered by PRDOH and shall include program Subrecipients. Additional guidance on special conditions associated with the administration of these funds shall be amended into this guidance in the future. All allocations are published in the Federal Register which can be located at the links below:

FEDERAL REGISTER	LINK TO FEDERAL REGISTER
HURRICANES IRMA AND MARÍA RECOVERY	
Federal Register Notice Vol. 83, No. 28 (Friday, February 9, 2018), 83 FR 5844	83 FR 5844 83 FR 5844 (Spanish version)
Federal Register Notice Vol. 83, No. 157 (Tuesday, August 14, 2018), 83 FR 40314	83 FR 40314 83 FR 40314 (Spanish version)
Federal Register Notice Vol. 85, No. 17 (Monday, 27, 2021),	85 FR 4681 85 FR 4681 (Spanish version)
MITIGATION FUNDS	
Federal Register Notice Vol. 84, No. 169 (Friday, August 30, 2019), 84 FR 45838	84 FR 45838 84 FR 45838 (Spanish version)
Federal Register Notice Vol. 85, No. 17 (Monday, January 27, 2020), 85 FR 4676	85 FR 4676 85 FR 4676 (Spanish version)
EARTHQUAKE RECOVERY	

² CDBG-DR grants are subject to Title I of the HCD Act, (42 U.S.C. § 5301 et seq.) which governs all CDBG programs. Grantees are also subject to the CDBG regulations at 24 CFR Part 570, unless modified by waivers and alternative requirements included in the applicable Federal Register Notice. CDBG-DR grantees must also comply with the applicable requirements of 2 CFR Part 200, which provides the Federal government's guidance on administrative requirements, cost principles, and audit requirements.

1.1.1 WHAT ASSISTANCE PROGRAMS ARE CURRENTLY AVAILABLE FOR HURRICANE RECOVERY IN PUERTO RICO?


The CDBG-DR Action Plan³ establishes the PRDOH CDBG-DR program hurricane recovery portfolio and includes the respective allocation and use of funds to address Puerto Rico's recovery from the impact of Hurricanes Irma and María. As per HUD, PRDOH as a state Grantee can carry out program activities through suited Subrecipients, as defined in the Code of Federal Regulations at 24 C.F.R. § 570.201(o). However, PRDOH as Grantee and steward of federal funds, is responsible for ensuring Subrecipient compliance and performance when managing federal grant awards. Noncompliance can result in the recapture of federal assistance dollars. As such, in efforts to comply with oversight requirements and ensure Subrecipients carry out activities adequately and efficiently, PRDOH desires to provide additional insight, direction and instruction on Subrecipient responsibilities and expectations.






There is a total of twenty **(20)** assistance programs within the PRDOH CDBG-DR portfolio. Subrecipients of each program are responsible for knowing the parameters of assistance as explained in the Program Guidelines and for maintaining awareness on any programmatic updates. This includes the release of revised Program Guidelines, which may occur from time to time to incorporate compliance revisions that result from evolving federal, state, or administrative policy.

To access the current CDBG-DR hurricane recovery Action Plan in English visit <https://cdbg-dr.pr.gov/en/action-plan/>, and in Spanish at <https://www.cdbg-dr.pr.gov/plan-de-accion/>. You can also access current Program Guidelines, which may change from time to time, by visiting the following page: <https://www.cdbg-dr.pr.gov/en/resources/policies/program-policies/>.





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³ See CDBG-DR Action Plan in English at <https://www.cdbg-dr.pr.gov/en/action-plan/> and Spanish <https://www.cdbg-dr.pr.gov/plan-de-accion/>.

PROGRAM	DESCRIPTION
PLANNING PROGRAMS	
 <p data-bbox="256 653 565 720">PUERTO RICO GEOSPATIAL FRAMEWORK PROGRAM (GEOFRAME)</p>	<p data-bbox="740 390 1325 457">Puerto Rico Geospatial Infrastructure Program (GeoFrame Program)</p> <p data-bbox="646 501 1419 829">The GeoFrame Program responds to existing land use, land management, and spatial data restrictions of the Government of Puerto Rico. Through the Program, Housing will support Puerto Rico's growth toward a Spatially Enabled Society (SES) by producing a high-quality, geo-referenced database and building an infrastructure composed of human resources, policies, programs, computers, and systems for citizens to access and use spatial data to enable evidence-based decision-making.</p>
 <p data-bbox="285 1104 548 1157">Whole Community RESILIENCE PLANNING</p>	<p data-bbox="675 898 1386 930">Whole Community Resilience Planning Program (WCRP)</p> <p data-bbox="646 974 1419 1228">This Program will seek to create recovery solutions, increasing individual and collective preparation for future events, ensuring greater resilience at Community and national level. The process will culminate in the preparation of community resilience plans that support community-identified goals and guide the development of more resilient communities in Puerto Rico's seventy-eight (78) municipalities.</p>
 <p data-bbox="289 1478 532 1524">Municipal Recovery PLANNING PROGRAM</p>	<p data-bbox="743 1283 1318 1314">Municipal Recovery Planning Program (MRP)</p> <p data-bbox="646 1358 1419 1570">This Program allocates funding to municipalities to carry out planning activities that address conditions created or exacerbated by Hurricanes Irma and/or María. Planning activities will conclude in Municipal Recovery Plans serving as guidance to developing more resilient communities within the seventy-eight (78) Municipalities.</p>
HOUSING PROGRAMS	
 <p data-bbox="240 1808 586 1864">HOME REPAIR RECONSTRUCTION OR RELOCATION PROGRAM</p>	<p data-bbox="672 1644 1390 1675">Home Repair Reconstruction or Relocation Program (R3)</p> <p data-bbox="646 1719 1419 1894">This Program will provide assistance to eligible homeowners to repair damaged homes or rebuild substantially damaged homes in non-hazard areas. Eligible homeowners with damaged homes in a hazard zone will be offered relocation assistance.</p>

PROGRAM	DESCRIPTION
 <p>TITLE CLEARANCE PROGRAM</p>	<p>Title Clearance Program (TC)</p> <p>This Program will legitimize homeowners' titles in hurricane-impacted areas, providing sustainability and safety to residents.</p>
 <p>RENTAL ASSISTANCE PROGRAM</p>	<p>Rental Assistance Program (RA)</p> <p>Provide temporary rental assistance to residents in hurricane-impacted areas that are homeless or at risk of becoming homeless.</p>
 <p>SOCIAL INTEREST HOUSING</p>	<p>Social Interest Housing Program (SIH)</p> <p>This Program will create housing opportunities for populations with special needs, those that are homeless, or have domestic violence issues.</p>
 <p>HOUSING COUNSELING PROGRAM</p>	<p>Housing Counseling Program (HC)</p> <p>This Program will provide residents with recovery, complementary educational services to promote understanding of housing and finance options.</p>
 <p>HOMEBUYER ASSISTANCE PROGRAM</p>	<p>Home Buyer Assistance Program (HBA)</p> <p>Will provide eligible applicants with assistance with homeownership assistance to help them with the difference between the amount of the first mortgage the buyer can obtain from a lender and the sale price of the home. The Program will be aimed at crucial recovery staff.</p>

PROGRAM	DESCRIPTION
 <p data-bbox="240 533 587 592">COMMUNITY ENERGY AND WATER RESILIENCE INSTALLATIONS PROGRAM</p>	<p data-bbox="691 323 1367 390">Community Energy and Water Resilience Installations Program (CEWRI)</p> <p data-bbox="646 432 1419 646">This Program will assist homeowners that were assisted through the Repair, Reconstruction or Relocation Program (R3 Program), by providing energy and water efficiency solutions to promote resilience by installing Photovoltaic (PV) systems with battery back-up for critical loads and water storage systems.</p>
 <p data-bbox="259 861 561 919">CDBG-DR GAP TO LOW INCOME HOUSING TAX CREDITS PROGRAM LIHTC</p>	<p data-bbox="678 718 1383 785">Low Income Housing Tax Credits (LIHTC) CDBG-DR Gap Program</p> <p data-bbox="646 831 1419 932">This Program will provide funds using the CDBG-DR grant for properties that are being developed with low-income housing tax credits.</p>
ECONOMIC DEVELOPMENT PROGRAMS	
 <p data-bbox="285 1272 539 1318">WORKFORCE TRAINING PROGRAM</p>	<p data-bbox="815 1138 1247 1171">Workforce Training Program (WFT)</p> <p data-bbox="646 1213 1419 1314">It will help unemployed and underemployed residents find employment provided to their job training in areas of recovery-related skills.</p>
 <p data-bbox="292 1621 532 1688">ECONOMIC DEVELOPMENT INVESTMENT PORTFOLIO FOR GROWTH PROGRAM</p>	<p data-bbox="678 1440 1383 1507">Economic Development Investment Portfolio for Growth Program (IPG)</p> <p data-bbox="646 1549 1419 1764">It will establish project financing with significant effects that enable the island's long-term economic growth and sustainability. It will also be a source of funding for projects aligned with the economic recovery plan that the central government sees as key drivers of the new Puerto Rican economy.</p>

PROGRAM	DESCRIPTION
 <p data-bbox="277 508 563 546">SMALL BUSINESS INCUBATORS AND ACCELERATORS</p>	<p data-bbox="662 380 1398 409">Small Business Incubator and Accelerator Program (SBIA)</p> <p data-bbox="646 453 1414 520">Support the growth and success of start-ups and businesses in the early stages of operation.</p>
 <p data-bbox="289 804 548 863">RE-GROW PR URBAN AND RURAL AGRICULTURE PROGRAM</p>	<p data-bbox="656 653 1404 682">Re-grow Puerto Rico Urban and Rural Agriculture (ReGrow)</p> <p data-bbox="646 726 1414 869">Promote and increase food security throughout the island. And it will improve and expand agricultural production related to economic revitalization and activity development.</p>
 <p data-bbox="289 1161 537 1199">TOURISM & BUSINESS MARKETING PROGRAM</p>	<p data-bbox="729 1016 1328 1045">Tourism and Business Marketing Program (TBM)</p> <p data-bbox="646 1092 1414 1159">Develop a comprehensive marketing effort to promote off the island, that the area is open for business and tourism.</p>
 <p data-bbox="261 1451 568 1488">SMALL BUSINESS FINANCING PROGRAM</p>	<p data-bbox="781 1289 1279 1318">Small Business Financing Program (SBF)</p> <p data-bbox="646 1365 1414 1507">This Program offers Recovery Grants for small businesses that were affected by Hurricanes Irma and/or Maria and for new businesses created from hurricane damage to a previous business.</p>
<p data-bbox="204 1570 643 1600">INFRASTRUCTURE PROGRAMS</p>	

PROGRAM	DESCRIPTION
 <p data-bbox="297 531 526 577">NON-FEDERAL MATCH PROGRAM</p>	<p data-bbox="805 373 1256 405">Non-Federal Match Program (NFM)</p> <p data-bbox="646 449 1419 554">This Program will provide the local requirement to match federal FEMA funding for identified projects, while alleviating the financial burden in Puerto Rico.</p>
MULTISECTORIAL PROGRAMS	
 <p data-bbox="297 898 526 940">CITY REVITALIZATION PROGRAM</p>	<p data-bbox="792 699 1269 730">City Revitalization Program (City Rev)</p> <p data-bbox="646 774 1419 989">This Program will establish a fund for municipalities to enable a variety of critical recovery activities aimed at reinvigorating urban centers and key community corridors to focus investments, reduce sprawl, and create a symbiotic environment to nurture complimentary investments from the private sector.</p>

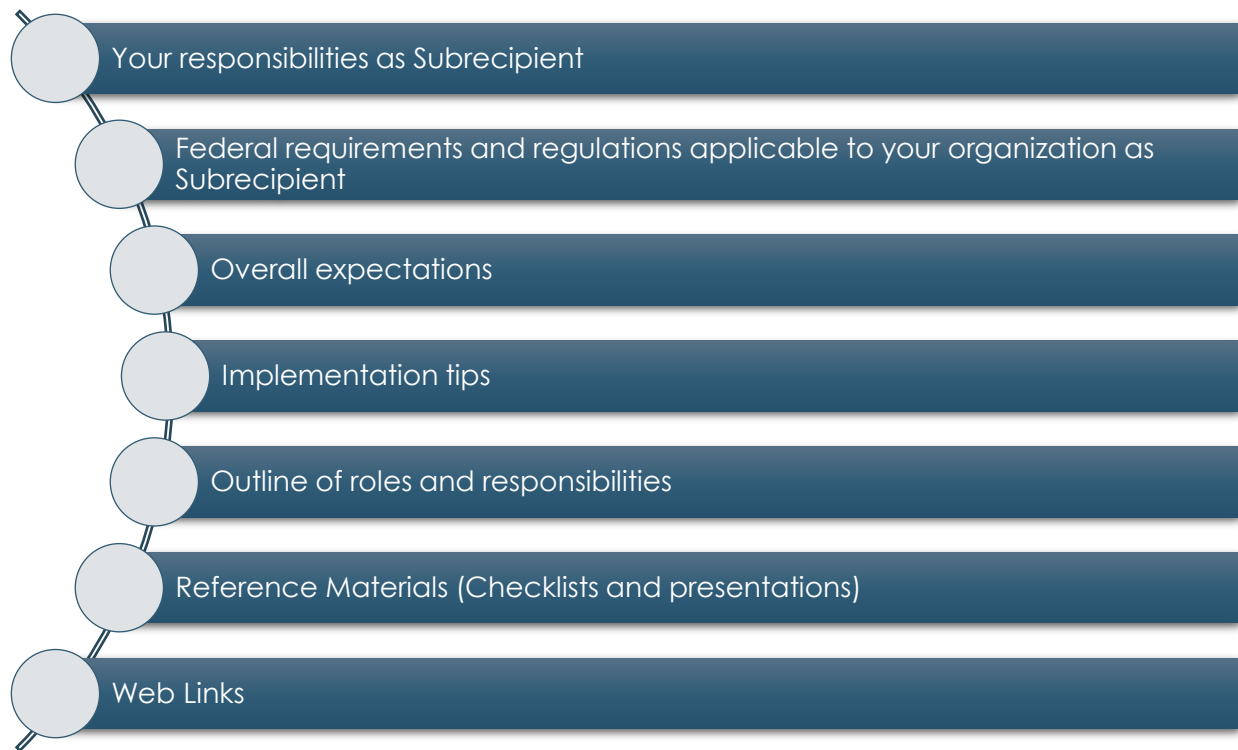
1.2 WHAT IS THE PURPOSE OF THIS MANUAL?

This Manual is intended to provide you, as a Subrecipient of CDBG-DR or CDBG-MIT funds, with reference guidance on grant management and compliance practices, while ensuring you adhere to applicable federal, state and PRDOH CDBG-DR and CDBG-MIT grant rules. PRDOH provides Subrecipients multi-modal support for the proper implementation of your program activities. This Manual serves to aid in furthering your understanding of applicable requirements to the use of federal funds for the delivery of CDBG-DR programs and activities. This Manual is a living document that shall be amended from time to time to incorporate additional guidance applicable to current and future allocations.

Complementary to this Manual is the PRDOH Subrecipient Management Policy⁴, which sets forth direction for the administration and oversight of programs funded by PRDOH, as carried out or performed by a non-federal entity in accordance with their respective Subrecipient Agreement (**SRA**). The Subrecipient Management Policy establishes Subrecipient responsibilities, performance expectations as it relates to the applicable SRA and essential elements for proper Program operation applicable to the key management areas.

⁴ See Subrecipient Management Policy in English at <https://www.cdbg-dr.pr.gov/en/resources/policies/general-policies/> and Spanish <https://www.cdbg-dr.pr.gov/recursos/politicas/politicas-generales>.

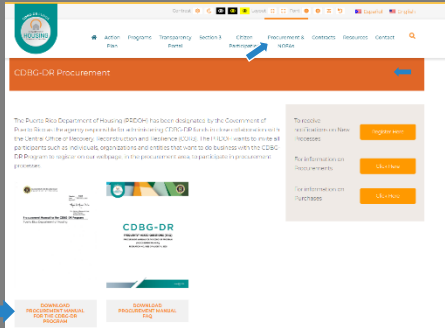
Some information you will find helpful in this document:



1.3 WHERE CAN I FIND ADDITIONAL GRANT MANAGEMENT RESOURCES?

Your PRDOH Point of Contact (**POC**) is responsible for assisting you in the management of your program and will be responsible for the daily oversight of Subrecipients. This Manual serves as a tool to help both PRDOH program staff and Subrecipients in carrying out their responsibilities appropriately and in compliance with the terms of their SRA, applicable laws, rules, regulations, policies, and procedures.

In order to ensure the long-term success of all CDBG-DR programs, PRDOH is committed to ensuring compliance with federal requirements and increasing the capacity of its Subrecipients through a variety of technical assistance resources. Program information is maintained on the PRDOH public website, where general and program specific information can be accessed at all times.

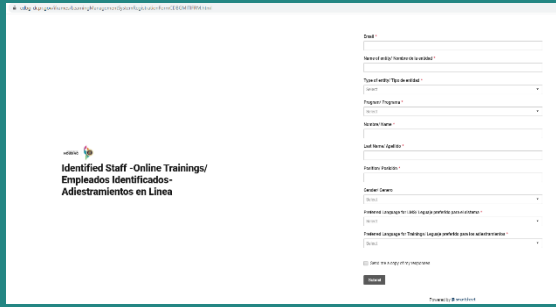


General Procurement Information:

<https://cdbg-dr.pr.gov/en/cdbg-dr-procurement/>

PRDOH has launched a space on the CDBG-DR website designed exclusively for procurement processes as well as other purchases made with these funds.

Since May 2020, a Learning Management System (LMS) platform has been available for designated Subrecipient staff to receive training on CDBG-DR and CDBG-MIT concepts. New modules may be released on an ongoing basis. Subrecipients can register for access to capacity building initiatives by visiting the Registration Form at the link below and for which you can find more information in Section 2 of this Manual:

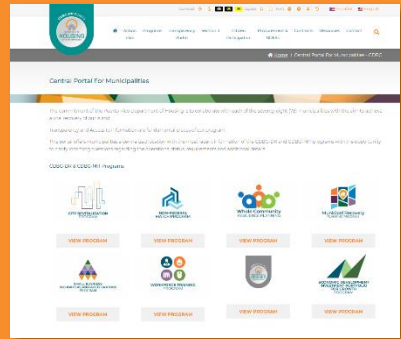


POCs Registration Form

<https://cdbg-dr.pr.gov/iframes/LearningManagementSystemRegistratio>

Once registered, staff will receive an automatic email welcoming you to the platform and asking you to provide a password to access your account. Upon completion of registration, they will have access to all modules assigned to them.

Additional resources available to Subrecipients include the following:



Municipality Portal

<https://cdbg-dr.pr.gov/en/central-portal-for-municipalities/>

PRDOH has launched a space on the CDBG-DR website designed exclusively for municipalities. You will find direct information about the programs that interact with the town halls.

CDBG-DR

<https://cdba-dr.pr.gov/en/>

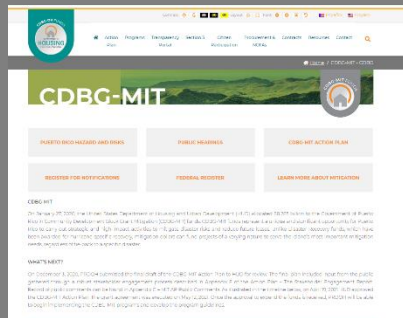
The PRDOH CDBG-DR portal contains information about CDBG-DR funds, the federal governing requirements, and details of each program that has been released, as well as descriptions of programs that will soon be available.



CDBG-MIT

<https://cdba-dr.pr.gov/en/cdba-mit/>

PRDOH offers a portal dedicated to CDBG-MIT, with information pertinent to mitigation funds, including updates on the progress of the CDBG-MIT Action Plan.



1.4 SUBRECIPIENTS

A Subrecipient may be a public or private nonprofit agency, authority, or organization which receives CDBG-DR funds from PRDOH to undertake eligible activities. The definition of a CDBG Subrecipient can be found at 24 C.F.R. § 570.500(c). It is further defined at 2 C.F.R. § 200.1 as a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a federal award. Unless otherwise noted, the term “**Subrecipient**” is used throughout this Manual to denote organizations that have executed an SRA with the PRDOH to carry out defined eligible activities and who are or will be receiving CDBG-DR funds as a result thereof. 2 C.F.R §200.331. **This Manual does not apply to entities hired by PRDOH and defined as Contractors by the PRDOH.**⁵

⁵ See 2 C.F.R. § 200.331.

1.4.1 WHO IS A SUBRECIPIENT?



A SUBRECIPIENT	NOT A SUBRECIPIENT
GOVERNMENTAL ENTITIES such as government agencies and municipalities	CONTRACTOR OF COMPETITIVELY PROCURED SERVICES
PRIVATE NON-PROFITS ORGANIZATIONS	DEVELOPER (either a non-profit or for-profit entity)
PRIVATE FOR-PROFITS ORGANIZATIONS only as authorized under 24 C.F.R. § 570.201 (o).	PRIVATELY- OR PUBLICLY-HELD FOR-PROFIT ENTITY RECEIVING FUNDS AS A BENEFICIARY UNDER A PROGRAM.

Note: Community Based Development Organizations (**CBDOs**) under 24 C.F.R. § 570.204 might also be eligible Subrecipients when carrying out special activities such as economic development or new housing construction. If PRDOH explicitly designates that CBDO as a Subrecipient, this Manual shall apply.

1.5 ELIGIBLE ACTIVITIES UNDER THE CDBG-DR PROGRAM

1.5.1 WHAT ARE ELIGIBLE ACTIVITIES?

In general, HUD establishes, under federal regulation eligible activities and ineligible activities for which the use of CDBG-DR and CDBG-MIT funds are allowed or disallowed. It is important to know that because PRDOH, as Grantee, is allowed to undertake a wide range of program activities, it establishes the particular eligible activities for which CDBG-DR funds assigned to Puerto Rico can be used. Subrecipients then, may only perform the activities eligible under the Program for which they have an executed SRA.

These activities are defined per program in the PRDOH CDBG-DR or CDBG-MIT Action Plan (<https://www.cdbq-dr.pr.gov/en/action-plan/>) and Program Guidelines (<https://www.cdbq-dr.pr.gov/en/programs/>) provide which are eligible activities under your specific PRDOH CDBG-DR or CDBG-MIT Program. However, it is your SRA which will contain the details of activities for which you have been engaged as Subrecipient.

EXAMPLE ELIGIBLE ACTIVITIES LIST IN ACTION PLAN PROGRAM⁶

The RE-GROW PR Urban-Rural Agriculture Program (RE-GROW PR) aligns with the following courses of action from Puerto Rico's Recovery Plan: ECN 9 and ECN 37.

ELIGIBLE ACTIVITIES

- Section 105(a)(14) – Activities Carried Out through Nonprofit Development Organizations
- Section 105(a)(15) – Assistance to neighborhood-based nonprofit organizations, local development corporations, and nonprofit organizations
- Section 105(a)(17) – Economic development assistance that creates or retains jobs
- Section 105(a)(21) – Assistance to Institutions of Higher Education
- Section 105(a)(22) – Microenterprise Assistance

PROGRAM ACCOMPLISHMENTS

- Promotes and expands island-wide food security;
- Addresses impacts to damaged agricultural productivity;
- Enhances food quality production, cultural/culinary tourism, and eco-tourism; and
- Enhances social, economic, and environmental resilience.

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EXAMPLE ELIGIBLE ACTIVITIES LIST IN PROGRAM GUIDELINES

4.2 Eligible Activities

Eligible activities for this Program, per the Housing and Community Development Act of 1974, 42 U.S.C. § 5305 (Activities eligible for assistance), are:

1. Section 105(a)(22) – Microenterprise Assistance;
2. Section 105(a)(17) – Economic development assistance that creates or retains jobs;
3. Section 105(a)(14) – Activities Carried Out through Nonprofit Development Organizations;
4. Section 105(a)(15) - Assistance to neighborhood-based nonprofit organizations, local development corporations, and nonprofit organizations; and
5. Section 105(a)(21) – Assistance to Institutions of Higher Education.

4.3 Eligible Costs

Eligible costs for the Re-Grow Program are listed in the tables below. Note these lists are not all inclusive but rather include most of the costs and should give applicants a clear picture of the kinds of costs that are program eligible. Eligible costs will be evaluated based on farming discipline and proposed use. Furthermore, proposed costs shall fall into one of the categories established in Table 1.

⁶ See CDBG-DR Action Plan Substantial Amendment 5: <https://cdbg-dr.pr.gov/en/download/action-plan-amendment-5-substantial-amendment-approved-by-hud/>.

⁷ Re-grow Program Guideline V4: <https://cdbg-dr.pr.gov/en/download/re-grow-pr-urban-rural-agriculture-program/>

It is important to bear in mind that because funds must be used for necessary expenses related to disaster relief, long-term recovery, and restoration of infrastructure, housing, and economic revitalization, each activity must:

- Be CDBG eligible (in accordance with regulations and waivers)⁸;
- Be disaster-related and clearly demonstrate a connection to address a direct or indirect impact of the disaster in a Presidentially declared area. **Note: Puerto Rico is a unique grantee in that the entire Island is a MID area as designated in Federal Register Vol. 83, No. 157 (August 14, 2018), 83 FR 40314, 40315.**
- Meet a National Objective and show how it is met. Please see the National Objectives section for more information on documenting this.

1.5.2 WHAT ARE INELIGIBLE ACTIVITIES?

For sound management of Programs, guidance is also included on activities that are not eligible under CDBG-DR and CDBG-MIT Program.

HUD guidance affirms an activity is ineligible if it meets one of the following criteria:



- ➔ It is not located in a Presidentially declared disaster area;
- ➔ Does not respond to a disaster-related impact for CDBG-DR or an identified mitigation need for CDBG-MIT;
- ➔ Is explicitly prohibited by the appropriation law;
- ➔ Is ineligible under CDBG-DR regulations (and a waiver has not been granted); or
- ➔ Fails to meet a national objective.

It is important to note that the above does not substitute the terms for ineligible use of funds or ineligible activities found in your Program Guidelines, SRA, Action Plan and CDBG-DR regulation which you are responsible for reviewing to ensure activities are within your scope.

Should you as a Subrecipient encounter any confusion about whether or not an activity is eligible, you must immediately contact the Program POC. **Remember that if you perform ineligible activities or activities outside of the scope of work contained in your SRA, you will not be able to request reimbursement associated with such activities!** Upon review of your invoice, your Program

⁸ Eligible activities are described in 24 C.F.R. Part 570 Subpart C and discussed in *Managing CDBG: 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/>.

POC will notify your organization of any expenditures in ineligible activities and such costs will not be approved and reimbursed.

1.6 SUBRECIPIENT AGREEMENT

Understanding the terms of your executed SRA is critical for understanding your responsibilities as a Subrecipient. 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. PRDOH utilizes a standardized SRA template, which may be amended from time to time.

It is important to note that this Manual is supplemental to the SRA, and applicable federal and state regulations, standards, and policies and procedures. You as a recipient of federal grant funds must follow and understand basic Program regulations applicable to the management and financial systems for CDBG-DR found in Code of Federal Regulations Title 24 (24 C.F.R.) and Title 2 (2 C.F.R.).

The executed SRA between your organization and the PRDOH contains a comprehensive statement of the general rules applicable to your management and implementation of the program, scope of work, timelines and performance goals, objectives, budgets, staffing and special conditions, if any, applicable to the specific services or project to be provided by your entity. Further, the agreement specifies the reports and documentation required for verification of compliance. This document has the purpose of providing assistance to your organization in complying with the provisions of the SRA. However, because the contents of this Manual represent the minimum requirements regarding your compliance with federal regulations and the SRA, it is not meant to be used as the single document that rules the administration of the SRA. Further, this document is meant to be used as a supplement to the SRA and does not replace SRA provision.



You can view your SRA by accessing the following link: <https://www.cdbg-dr.pr.gov/en/written-agreement/>

1.6.1 WHAT HAPPENS ONCE YOU HAVE SIGNED YOUR SRA?

Once you have signed your SRA with PRDOH, the Program Area will contact your organization's representative to schedule an "on-boarding" to the CDBG-DR or CDBG-MIT Program where performance goals, expected outcomes, and work plans will be reviewed and discussed. Your organization will also be contacted by:



- The PRDOH Finance Division to discuss matters pertaining to invoicing and reimbursement requests, as detailed in the Finance Orientation Presentation and related documents attached as **Appendix I**. There you will find a sample presentation and forms to be used by your organization.
- The PRDOH Procurement Division to discuss matters pertaining to procurement of services or goods.
- The Federal Compliance area will also reach out to your compliance coordinator or manager to provide you detailed guidance on completing quarterly reports and documents related to compliance with Section 3, Minority and Women Business Owned Enterprises and Davis Bacon after you have completed the initial onboarding training.

Take note of any additional time-based conditions such as training and signed paperwork. Please also note that these documents are subject to change based on PRDOH's need or discretion.

1.6.2 WHAT DO YOU NEED TO DO IN CASE OF A PROGRAMMATIC AND/OR BUDGET CHANGE?

In the event that you need a programmatic and/or budget changes, you will need to contact your Program's POC for review and approval. Your SRA contains specific provisions on what can lead or cause an amendment. However, any changes in the SRA dispositions or its exhibits will trigger an SRA amendment process.

STEPS:

1st

Prior to the submission of an amendment request, PRDOH POC will oversee the delivering and the communication process will initiate.

2nd

Present the amendment request and necessary supporting documentation to your Program POC for review and approval. The amendment request should include the following: Condition the Subrecipient is requesting to amend, the reason why the Subrecipient is seeking to amend it and the timeline implications of the requested change. Specify the component that the Subrecipient is requesting to modify i.e. budget, scope of work or timeline.

3rd

After any necessary communications and requests for further information, as may be necessary, your Program POC will determine whether or not to proceed with

the requested amendment. In this case, the POC will prepare a send a Memo to the Deputy Secretary Disaster Recovery (DSDR).



4th

DSDR receives and reviews the Memo and amendment request. If the DSDR approves the amendment request, the DSDR signs the memo and sends the request with the memo attached to PRDOH Secretary for final approval. PRDOH Secretary approves the amendment request and sends it to PRDOH Legal Division for the execution of the SRA Amendment.

Once you have provided any information and/or documents and reviewed the SRA amendment documents, the Program POC will give the SRA amendment due course and you will subsequently be provided such documents by the PRDOH Legal Division for execution.

Things to remember: Any change needs to be formally approved in writing by the PRDOH and the rest of the SRA remains in full force and effect unless amended.

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1

CDBG OVERVIEW & PURPOSE

2

SUBRECIPIENT RESPONSIBILITIES

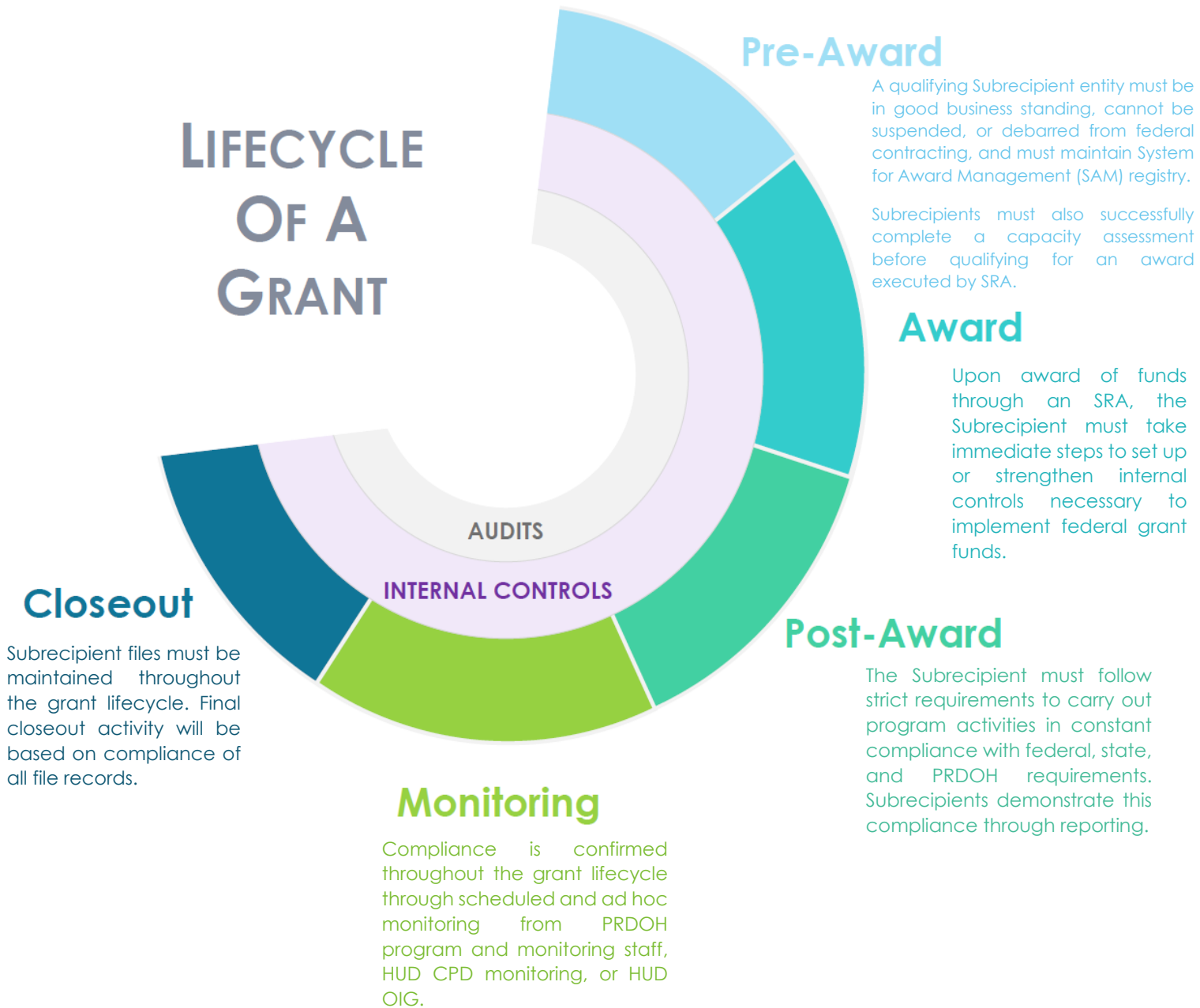
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3

PRDOH RESPONSIBILITIES

2.1 RESPONSIBILITIES OF A SUBRECIPIENT

Subrecipient responsibilities begin before signing an SRA and carry through the lifecycle of the grant until closeout.



As a Subrecipient of the CDBG-DR or CDBG-MIT Program, your responsibilities might include but are not limited to the following:

- Complying with all the terms and conditions included in the SRA, which may include:

GENERAL ADMINISTRATION

- Activities related to the performance of the Scope of Work;
- Refraining from performing ineligible activities as outlined and incurring in ineligible costs associated thereto;
- Meeting National Objectives;
- Maintain adequate staff, notify PRDOH of any changes or obtain prior written consent, depending on Program; and
- Meeting all established timeframes and performance goals.

PERFORMANCE, MONITORING AND REPORTING

- Provide any and all required reports and/or information for monitoring reviews and assessments for your program area or operational areas (e.g. Legal, Finance, Monitoring, Procurement, Federal Compliance);
- Submit regular monthly progress reports to your programmatic area, other reports (e.g. quarterly reports for Federal Compliance), or CDBG-DR related compliance documents.

BUDGET

- Adequately complete outlined activities in your SRA Scope of Work in accordance to the Budget;
- Invoice indirect costs only as allowed; and
- Reverse assets as applicable.

PAYMENTS

Submit to PRDOH requests for reimbursements of activities under the SRA and consistent with the approved Budget and Scope of Work on a monthly basis or with the frequency agreed and authorized by PRDOH.

ADDITIONAL

Federal Statutes, Regulations, terms and conditions of the federal award and additional PRDOH Requirements, as included in the SRA and in this document.

The above is only a summary of SRA specific terms and conditions and does not in any way substitute or supersede the contents of the SRA and your organization's responsibilities thereunder, including but not limited to:



PRDOH has written this Manual to assist you in complying with the requirements associated with CDBG-DR and CDBG-MIT funding. It is critically important that you as a Subrecipient understand that failure to comply with any of the above may result in PRDOH initiating processes related to paying back the CDBG-DR and CDBG-MIT funding provided to you under an SRA, and consequently in the termination of the SRA.

2.1.1 WHAT POLICIES AND PROCEDURES DO I NEED TO HAVE IN PLACE?

Your SRA requires you to both follow general CDBG-DR and/or CDBG-MIT Policies as well as to have in place specific policies and procedures that will dictate the manner in which you conduct and manage CDBG-DR or CDBG-MIT activities. These policies and procedures are part of your internal controls.

For policies and procedures which you must have in place, as required under your SRA, you are responsible for meeting those requirements in the manner and timeframe included in the SRA. You can find a list of the general policies for the CDBG-DR and CDBG-MIT Programs in English and Spanish at the following links: <https://www.cdbg-dr.pr.gov/en/resources/policies/general-policies/> and <https://www.cdbg-dr.pr.gov/recursos/politicas/politicas-generales/>.

Q&A

What are the CDBG-DR Program Policies that your organization as a Subrecipient, should understand, adopt or be aware of?

A list of CDBG-DR Program adopted and implemented policies can be found in the CDBG-DR General Policies List attached as **Appendix II**.

The list provides information on which policy you must adopt, and which may be used as reference to update your current policies and procedures. This list may be amended from time to time to ensure that new policies and edits to previously adopted policies are included.

Where can your organization easily access the policies?

PRDOH maintains its Policies in English and Spanish on the CDBG-DR webpage at <https://www.cdbg-dr.pr.gov/en/resources/policies/general-policies/> and <https://www.cdbg-dr.pr.gov/recursos/politicas/politicas-generales/>

Does your organization, as Subrecipient, have to adopt specific CDBG-DR Program policies and procedures?

Yes. The CDBG-DR Program Monitoring Division's Capacity Assessment Report provides for specific policies and procedures to be developed, adopted, and/or updated by your organization based on the assessed capacity. These are then included in your SRA as special requirements for your organization to develop, update or adopt within the specified timeframe. For example, your organization must adopt the Cross-Cutting Guidelines, because the requirements stated in these guidelines apply to all programs described in PRDOH's Action Plan and all subsequent amendments, subrecipients must strictly follow the requirements contained in that document.

What happens once your organization has developed, updated or adopted the required policies and procedures?

Your organization is required to filled out a Self-Certification Checklist attached as **Appendix III**.

Your organization must submit to PRDOH your organization's completed Policies Self-Certification Checklist, CDBG-DR related policies and procedures for review on containing minimum requirements. You will provide these via email to your PRDOH POC.

Your POC will inform you if your organization needs to provide additional information regarding the policies. The Monitoring Division will conduct periodic visits to all Subrecipients and will ensure that the self-certified policies are in compliance with PRDOH CDBG-DR Program requirements.

2.1.2 WHAT ARE THE MAIN REGULATIONS APPLICABLE TO THE USE OF GRANT FUNDS AND CARRYING OUT GRANT ACTIVITIES?

As Subrecipient, you signed an SRA and agreed to follow all applicable federal regulations in the use of CDBG-DR and/or CDBG-MIT funds. Your organization's internal controls are key to supporting continuous compliance with these requirements. As with all federal grants, general grant management requirements can be found at 2 C.F.R. 200.

However, there are several cross-cutting regulatory and administrative policies that must also be taken into consideration, such as the Civil Rights Act, National Environmental Protection Agency (**NEPA**) policy, and Equal Employment Opportunity to name a few. It is important to consult your SRA and the Subrecipient Management Policy for more detail on specific regulations.

However, for your convenience, we include some of the key federal regulations pertaining to the CDBG-DR administrative requirements under **Appendix IV**.

2.2 WHAT ARE REQUIREMENTS FOR SUBRECIPIENT'S REIMBURSEMENT OF FUNDS?

As you know, your payment of grant funds, as outlined in your SRA, is based on the reimbursement method of funds expended on approved CDBG-DR or CDBG-MIT items. It is important for your organization to have financial management policies and procedures in place for your cash management and reimbursements requests.

Remember you are strictly prohibited from obligating any funds or incurring any expenses for reimbursement until after you execute an SRA⁹. Therefore, if you incur any expenses related to the CDBG-DR or CDBG-MIT Program prior to execution of the SRA. You will be unable to request reimbursement of such funds as pre-award expenditures are strictly ineligible and PRDOH will not process them. Your organization is required to have procedures in place to manage matters related to reimbursement of expenditures and flow of funds.

2.2.1 WHAT STEPS SHOULD SUBRECIPIENTS FOLLOW IN SUBMITTING A REQUEST FOR REIMBURSEMENT?

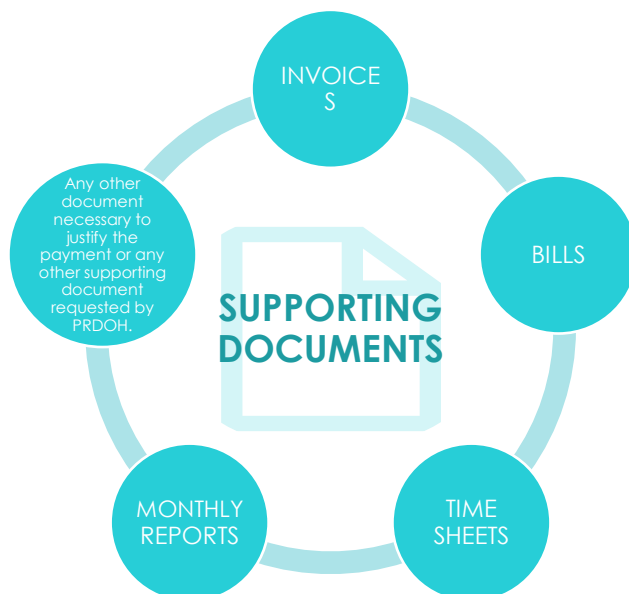
You must submit reimbursement request for payment as per section VII. Payment of the SRA and as detailed in the Request for Reimbursement and Payment Instructions included in this Manual as

⁹ Note that the Non-Federal Match (**NFM**) Program is an exception. Due to the Program's nature of only providing matching funds for the non-federal share of eligible FEMA PA costs, PRDOH will assess procurement reviews conducted by FEMA and COR3 in conjunction with the obligation and reimbursement of FEMA-eligible costs. For all work submitted for cost share payment, the NFM Program shall document the validation issued by FEMA/COR3 regarding the compliance of procurement processes. For further detail please refer to the NFM Program Guidelines at <https://cdbg-dr.pr.gov/en/download/non-federal-match-program-2/>.

Appendix I. Such document provides detailed instructions and forms to be used when submitting a reimbursement request.

Things to remember and consider regarding expended CDBG-DR or CDBG-MIT funds and requests for reimbursement:

- Expenditures presented for reimbursement need to align with your approved budget included as Exhibit D to your SRA.
- Total funding amount to be paid by PRDOH to the Subrecipient under your SRA shall not exceed the amount specified in the budget.
- Such payment shall be compensation for all allowable services required, performed and accepted under the SRA.
- Your requests for reimbursement for activities under the SRA need to be submitted to your PRDOH POC on a monthly basis or with the frequency agreed and authorized by PRDOH.
- You need to break down any requested reimbursements submitted in your request against the line items specified on the approved budget.
- The documentation presented with your request for reimbursement is crucial to evidence not only the purpose of the expenditure but also that your activities are in line with the SRA provisions, therefore, the Requests for Reimbursements **must be submitted with all supporting documentation** which may include but is not limited to:



- All supporting documentation must be legible and signed and dated by your organization's authorized representative.
- If at any point you identify erroneously drawn funds, you are required return those funds to the Grantee immediately.
- Specific requirements for Payroll/Salary expenditures.
- The Request for Reimbursement must also be accompanied by documentation from the Subrecipient demonstrating that all procurements for which payment is requested have been made in accordance with the SRA.

2.2.2 HOW OFTEN ARE SUBRECIPIENTS REQUIRED TO SUBMIT REIMBURSEMENTS REQUESTS?

Your SRA requires that you submit requests for reimbursements on a **monthly** basis. Per SRA guidance, each request for reimbursement shall be broken down into requested reimbursements against the Budget line items specified in Exhibit D of your SRA.

PRDOH will process payments for eligible and allowed expenses actually incurred by the Subrecipient, and not to exceed actual cash requirements. PRDOH reserves the right to adjust payments in accordance with program income, or for any other reason, balances available in Subrecipient accounts.

2.2.3 WHAT HAPPENS WHEN YOU SUBMIT YOUR REQUEST FOR REIMBURSEMENT?

The PRDOH Program POC reviews the request for reimbursement submitted by your organization. If your POC identifies any issue, questionable or ineligible expenses it will require clarification, corrections or additional information from your organization. The same will happen if any errors or missing documentation are identified.

Remember that reimbursements will be processed once any additional information or documentation is provided or clarifications made. For more information regarding reimbursement procedures please see **Appendix I**.

2.2.4 WHEN MAY PRDOH RECAPTURE ANY PAYMENTS MADE TO YOUR ORGANIZATION?

Your SRA allows for PRDOH to recapture payments it has made to your organization if:

The payment has exceeded the maximum allowable rates;

Payments are not allowed under applicable laws, rules, or regulations; or

Payments are otherwise inconsistent with the SRA, including any unapproved expenditures.

Subrecipients also need to be mindful that PRDOH, as Grantee, can recapture funds if the organization has received reimbursements from other federal programs for the same activities.

- Subrecipient must refund such recaptured payments within **thirty (30) days** after the PRDOH issues notice of recapture to Subrecipient.

2.3 CAPACITY BUILDING INITIATIVES AND TECHNICAL ASSISTANCE

To ensure the long-term success of Puerto Rico's recovery, PRDOH is committed to complying with Federal administrative requirements and increasing the capacity of its Subrecipients. To facilitate Subrecipient compliance, PRDOH has developed a Capacity Building Initiatives philosophy to outline the implementation of capacity building needs.

Equally, PRDOH is committed to providing technical assistance to its Subrecipients to support the compliant implementation of programs and ensure timely contracting and expenditure of funds. Technical assistance may be provided on a scheduled basis, on an ad-hoc basis determined by an analysis of risk assessment criteria, or at the Subrecipient's request following the steps described below.

2.3.1 WHAT IS THE CORE CURRICULUM?

The SRA you signed as Subrecipient contains certain capacity building requirements with which your organization needs to comply. PRDOH has developed a Core Curriculum, as part of the Capacity Building initiatives, within the Learning Management System (**LMS**) to assist your organization in meeting those requirements. The Core Curriculum, which is comprised of ten (10) modules, will provide your organization with a basic understanding of CDBG-DR after you have signed your SRA. As your Program progresses you may be provided additional curriculums contextualized to your particular program, as well as access to Technical Assistance. Completion of the Core Curriculum is expected prior to receiving additional capacity building initiatives.

Currently, the Core Curriculum contains the following modules:

MODULE SERIES NAME	MODULE DESCRIPTION
CDBG-DR 101	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 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 activities, timing and planning considerations for compliance, and tips and resources available to grantees.
Procurement 101-102	This module introduces Procurement terminology and processes. The module will also approach Conflict of Interest concepts relevant to Procurement Processes. Procurement Overview for Subrecipients.
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 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.
Grant Management / Administration Principles 101- 107	These modules introduce the roles & responsibilities of subrecipients, applicable systems to manage CDBG-DR Program data, management and reporting of citizen complaints, and Protection of Personally Identifiable Information (PII)

2.3.2 WHO SHOULD UNDERTAKE THE CORE CURRICULUM IN THE SUBRECIPIENT'S ORGANIZATION?

Your organization is required to identify as many as three to four (3-4) Program and Operations staff to complete the assigned modules through the LMS. Once registered, identified staff will receive an automated welcome email from the system requesting them to provide a password in order to access their account. Upon entry, the staff will have access to all the modules that have been assigned to them.

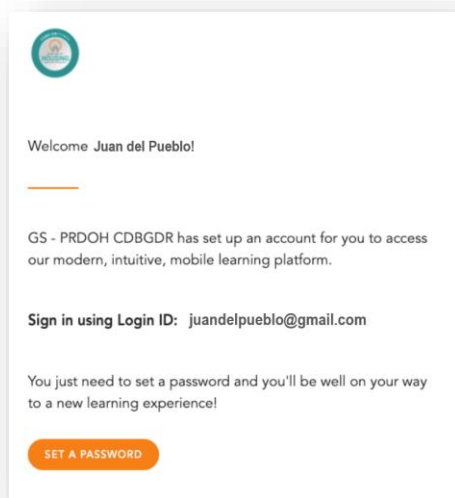
Modules are self-guided and can be completed at the learners' pace (within the required timeframe provided by PRDOH and as stated in the SRA). When identifying staff to become registered in the system, you are encouraged to select at least one (1) person from your finance/procurement area as some modules include financial/procurement related information.

You should know that certain trainings may require a specific role or attendance from a specific key staff from your organization based on the nature of the module.

2.3.3 WHAT IS THE PROCESS TO ENROLL FOR PARTICIPATION OF THE CAPACITY BUILDING INITIATIVES?

1. To begin the registration process, you will need to provide your POC and/or PRDOH Program staff, the names of the identified staff that will be taking the mandatory training and participating in the capacity building sessions.
2. The information of the identified staff will be included in the system and an autogenerated email will be sent to the identified staff who at that point may be requested to include more information. While PRDOH Operations Division will keep documented records of such trainings, as Subrecipient, you need to keep your own records of participation.

Below you will find screenshots of the automated email in both languages for reference:

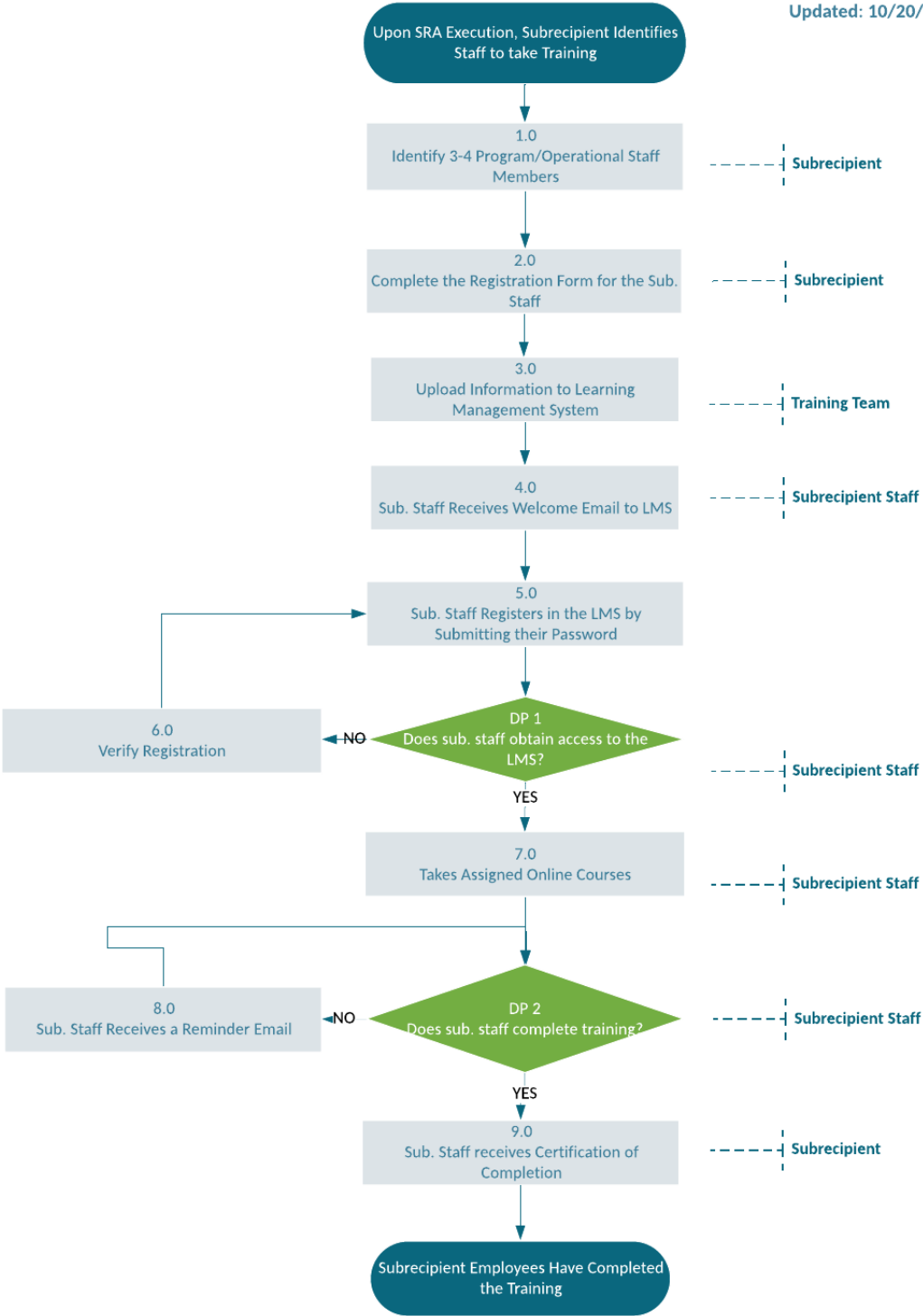


Identified subrecipient staff are encouraged to share module content with other Program staff within your organization. If any questions arise upon the completion of the module, you are encouraged to reach out to your Program POC by email. PRDOH will work with to clarify any questions you may have related to the module content.

A workflow of the above process is included for your reference:

Learning Management System (LMS) for Subrecipients

Updated: 10/20/2020



2.3.4 IS THERE A SPECIFIC TIMEFRAME TO COMPLETE THE CAPACITY BUILDING INITIATIVES PROVIDED BY PRDOH?

Yes! The time frame for you to complete the trainings begins on the day the SRA is executed. Each SRA will contain the specific timeframe for these courses to be completed.

2.3.5 WHAT OTHER COURSES ARE MANDATORY?

In addition to the above and as stated in the Subrecipient Management Policy, Subrecipients are required to attend anti-fraud related training provided by the HUD Office of Inspector General (OIG) to assist in the proper management of CDBG-DR or CDBG-MIT grant funds. This training will be coordinated by PRDOH and takes place once a year. You can find more information on fraud related topics in the Anti-Fraud, Waste, Abuse, or Mismanagement Policy (AFWAM Policy) which can be accessed at <https://www.cdbg-dr.pr.gov/en/resources/policies/> and <https://www.cdbg-dr.pr.gov/recursos/politicas/> and which is attached hereto under the Policies **Appendix V**.

You can contact your POC and/or the Operations Division at CDBG-DR.Trainings@vivienda.pr.gov with questions regarding training and capacity building.

2.3.6 CAN SUBRECIPIENTS ACCESS ADDITIONAL CAPACITY BUILDING?

Yes! Technical assistance and workshops are available and serve as follow up capacity-building initiatives with program-specific details that respond to identified needs. These initiatives are designed to address your identified areas of growth, provide more focused guidance, or answer program-specific questions.

Following the completion of the Core Curriculum, your organization may need additional support to increase its CDBG-DR capacity. If your organization at any point identifies the need for additional training and/ or technical assistance, you need to contact the Program Manager who will coordinate with our training area.

In this request, you must provide justification for your request for technical assistance. This justification could be an identification of specific challenges you are experiencing or an identification of a lack of internal resources to provide guidance on a particular matter, among other things. If needed, contact your Program Manager for additional instructions on this matter.

2.3.7 CAN SUBRECIPIENTS BE ASSIGNED ADDITIONAL CAPACITY BUILDING INITIATIVES?

PRDOH may provide technical assistance to organizations identified through PRDOH's monitoring processes for additional and/or customized assistance as needed. In this event, the POC may notify your organization indicating that technical assistance is required to carry out activities and the dates for completion.

2.4 SUBRECIPIENT CDBG-DR REQUIREMENTS GUIDANCE

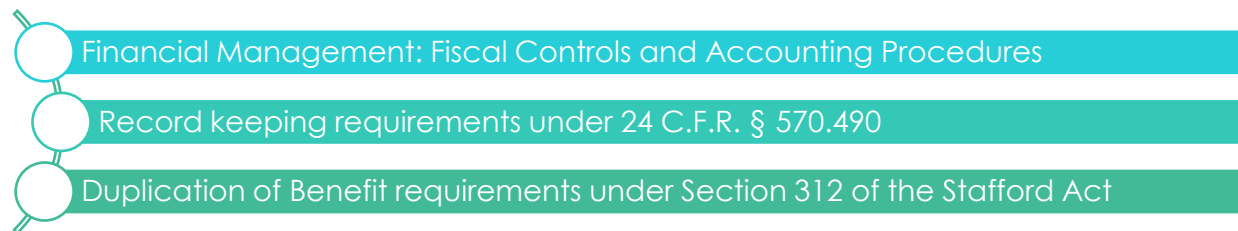
Fulfilling your Subrecipient responsibilities is key to avoiding compliance pitfalls that could lead to the recapture of funds. As HUD is the oversight entity for the CDBG-DR and CDBG-MIT federal grant

funds and PRDOH is the state pass-through entity, both PRDOH and HUD monitor for compliance with these responsibilities throughout the life of your grant award. Additional guidance on reporting and monitoring is further described in this Manual.

As a best practice, PRDOH advises consistent compliance from start to finish to avoid any instances of non-compliance.

2.4.1 WHAT ARE COMMON FINDINGS OF SUBRECIPIENTS (AS PER HUD)?

It is important for the Grantee to create awareness not only of Subrecipient responsibilities but also of common pitfalls found by HUD on Subrecipient's management of programs. Thus, included here for your benefit are some key pitfalls to avoid when managing grant funds:



Attention to your activities and your performance is imperative. Remember, unresolved findings could lead to the PRDOH recapturing payments made to your organization. Therefore, you as Subrecipient, must be aware and conscious of your policies and controls. Subrecipient responsibilities and guidance related to common pitfalls are included in this section. However, please note that the responsibilities included here do not substitute the responsibilities under your SRA and applicable regulations.

2.4.2 WHAT ARE SUBRECIPIENT'S FINANCIAL MANAGEMENT RESPONSIBILITIES?

As you should know, there are several regulatory provisions which govern the financial management systems of CDBG-DR and CDBG-MIT funds. You can find these provisions in 24 C.F.R. § 570.502, which in turn refers to 2 C.F.R. part 200 (save for the exceptions established in 24 C.F.R. § 570.502). At execution of your SRA, you agreed to adhere to these accounting principles and procedures and to have adequate internal controls in place. PRDOH, as Grantee, reserves the right to request any records regarding adherence to such accounting principles, at any given time during the period of the SRA and even after closeout. As Subrecipient of CDBG-DR funds, you ensure that activities are in compliance with all applicable fiscal and administrative requirements of the PRDOH and state and local government. Your organization must also have in place all financial procedures designed to avoid or eliminate waste, fraud, or abuse of grant funds.

2.4.3 DO SUBRECIPIENTS NEED TO HAVE INTERNAL CONTROLS IN PLACE (2 C.F.R. § 200.303)?

Having effective and compliant controls and accountability practices in place and establishing the necessary internal controls is key to managing CDBG-DR and CDBG-MIT funds in compliance

with applicable laws, regulations and specific terms and conditions of the PRDOH CDBG-DR or CDBG-MIT award.

As Subrecipient of PRDOH, your organization must have robust internal controls in place to maintain sound financial management structure to safeguard CDBG-DR funds. In general terms, such controls will include procedures, separation of duties, qualified personnel, and a record keeping system for accountability in the financial system and which protects CDBG-DR funds, the organization's cash, property, and other assets.

2.4.4 WHAT ARE BASIC ELEMENTS FOR SUBRECIPIENTS TO CONSIDER WHEN DEVELOPING OR ANALYZING INTERNAL CONTROLS?



Have written policies and procedures that define staff qualifications and duties, lines of authority, separation of functions, access to assets and sensitive documents (This may include but is not limited to having an organizational chart with actual lines of responsibility of individuals involved in approving or recording financial transactions).



Have written accounting procedures for approving and recording transactions. (This may include but is not limited to, specifying approval authority for financial transactions and guidelines for controlling expenditures).



Adequate separation of duties so no one individual has authority over an entire financial transaction. Separation of duties specifically involves the separation of three types of functional responsibilities: (a) authorization to execute a transaction, (b) recording of the transaction, and (c) custody of the assets involved in the transaction.



Periodic comparisons to actual assets and liabilities to check for completeness and accuracy (This will be key in helping your organization identify and correct inadvertent record-keeping errors in a timely manner. Further, it will aid identifying potential weaknesses in your systems which are directed to protecting resources and most importantly any possible instance of fraud or misuse of CDBG-DR funds and assets).

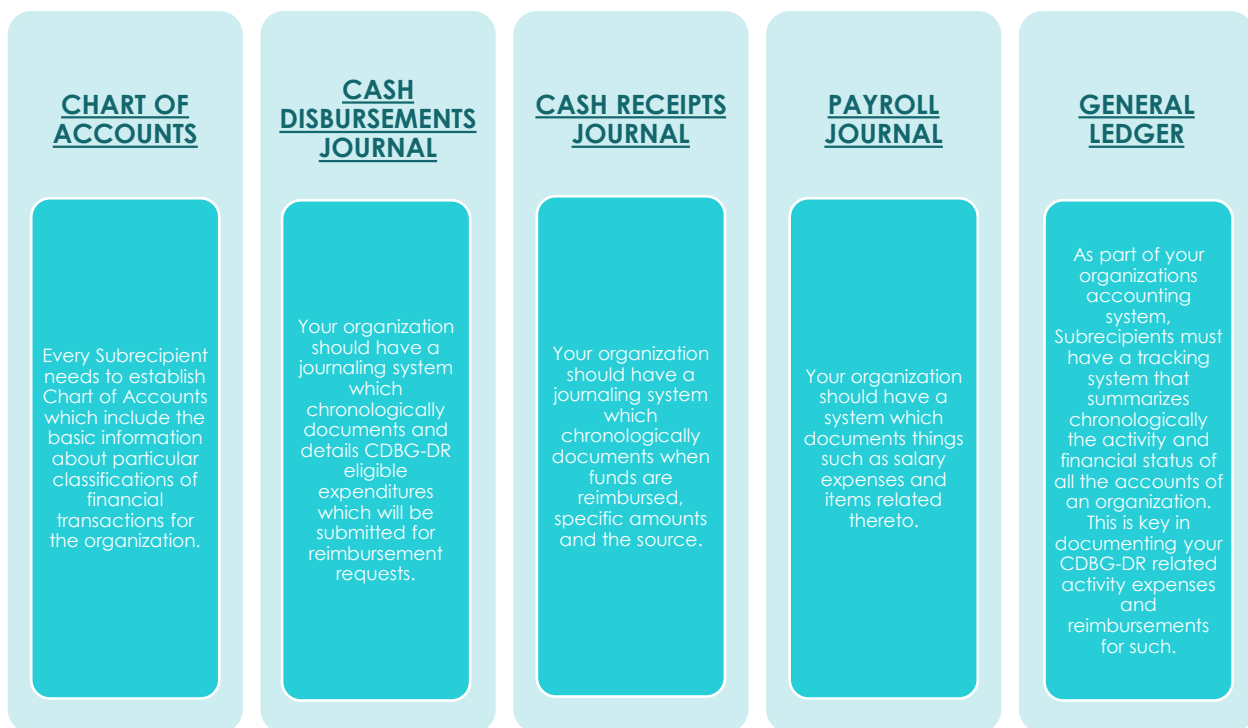
2.4.5 WHAT SHOULD SUBRECIPIENT'S INTERNAL CONTROLS STRUCTURE ACHIEVE?

- Adequate use of resources is for authorized purposes and in a manner consistent with applicable laws, regulations, and policies;
- Resources are protected against fraud/abuse, mismanagement or loss;
- Reliable information on the source, amount and use of resources are secured, maintained up to date and recorded.

Be advised, that your internal controls as applicable to your records and transactions will be subject to monitoring reviews and audit processes. As a result, PRDOH has the right to request modifications in your internal controls practices, policies and procedures.

2.4.6 WHAT ACCOUNTING RECORDS MUST SUBRECIPIENTS MAINTAIN?

Financial record keeping is a basic requirement for administering CDBG-DR or CDBG-MIT funds, so you are required to have accounting records that adequately identify the source and application of CDBG funds. Financial record keeping is one of the primary areas subject to HUD reviews and one which, if inadequate, can lead to serious problems, As Subrecipient, you are responsible for maintaining financial information and records including but not limited to:



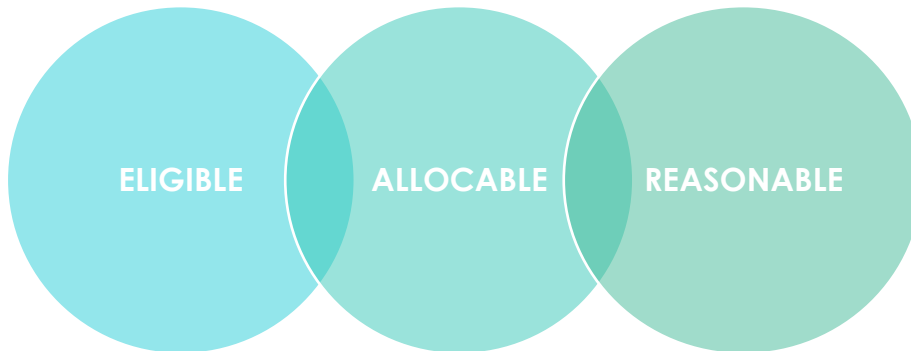
Remember, as Subrecipient, you are expected to have accounting records which contain reliable and up-to-date information about the sources and uses of funding including grant awards received, current authorizations to CDBG-DR or CDBG-MIT funds, unobligated balances, assets and liabilities, program income, and expenditures.

It is also important for your organization to know that Subrecipients are required to maintain a new, separate, and non-comingled Disaster Relief Accounts and to deposit any and all CDBG-DR funds into such account. Subrecipient are required to provide and make available to PRDOH any and all documentation related to such account as may be requested by the PRDOH.

2.4.7 HOW DOES A SUBRECIPIENT DETERMINE WHAT ARE ALLOWABLE COSTS?

As stated in the Subrecipient Management Policy, your organization must follow and comply with the basic guidelines set forth by the United States Office of Management and Budget (**OMB**)¹⁰ regarding costs that are allowable under the CDBG Program.

Any expenditure your organization makes related to CDBG-DR or CDBG-MIT related activities and programs needs to be:



Based on the above and your requirements under the SRA, please note that, in order for costs to be allowable under the CDBG-DR Program they need to meet the following:

1. Expenditure is reasonable, necessary, and directly related to the CDBG-DR Program and the scope of work included in the SRA.
 - o Please note that this applies to items such as: salaries, administrative services contracts, real property and equipment purchases or leases, travel, and other administrative expenditures.
 - o Subrecipients should consider the following when determining if costs are reasonable:

¹⁰ See, 2 C.F.R. Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards".

Is this type of cost generally recognized as ordinary and necessary for the operation of the organization or the performance of the award?



Are there any specific requirements or limitations imposed by generally accepted sound business practices, federal and local laws and regulations, and terms and conditions of your SRA?



In incurring costs, are the principals of your organization being prudent at such time taking into consideration who they serve and their employees?



Are there any significant deviations from the established practices of the organization that may not justify award costs being higher?

2. The expenditure has been authorized by PRDOH in your SRA Budget.
3. The expenditure is not prohibited under Federal, state, local laws or regulations.
 - o As an example, Subrecipients are strictly prohibited from incurring in expenditure of Federal funds for entertainment, contributions and donations, fines and penalties, and bad debts.
 - o Generally, you will be able to find a detailed list of prohibited expenditures in the Program Guidelines.
4. The expenditure is consistently treated. This means that as Subrecipient, you apply generally accepted accounting standards when you compute your costs and you use the same procedures when performing the calculation of costs as for its non-Federally assisted activities.

If you at any point have any questions regarding Allowable Costs you should contact your POC in order for your question to get properly channeled and clarifications provided to your organization.

Any cost incurred by your organization regarding CDBG-DR or CDBG-MIT related activities and programs needs to be:

1. Allocable to the CDBG-DR or CDBG-MIT Program. **What does this mean?**
 - o Costs are allocable to a particular cost objective (e.g., grant, program, or activity) in proportion to the relative benefits received by that objective. This means that if an office is utilized by two programs during the same hours, the costs of the office should be allocated between the two programs on an equitable basis. The same expense cannot be claimed against more than one grant (i.e., double-billing is prohibited).
 - o A cost originally allocable to a particular Federal grant program cannot be shifted to another Federal grant program to overcome funding deficiencies, to avoid restrictions imposed by the grant or by law, or for any other reasons. Direct costs must be identified specifically with a particular activity. Indirect costs are those incurred for common objectives that benefit more than one activity (e.g., salaries

of executive officers, accounting and auditing, other costs of general administration). The Subrecipient's indirect costs must be supported by an indirect cost proposal.

2. The cost is net of all applicable credits. Subrecipients are not allowed to make a profit from any costs charged to CDBG-DR or CDBG-MIT funds.

2.4.8 WHAT SOURCE DOCUMENTATION MUST APPEAR IN THE FILE?

Based on your SRA and applicable regulations Subrecipients are required to have source documentation to support your accounting records.¹¹ Because documentation is critical under the CDBG-DR or CDBG-MIT Program, supporting documentation is critical for your organization to show that the costs incurred and for which you are requesting reimbursement from CDBG-DR or CDBG-MIT funds were incurred within the term of the SRA, were actually paid out (or properly accrued), were allowable items, and were authorized under the SRA.¹²

Remember, the documentation you maintain to support your accounting records must explain the basis of the costs incurred, dates when these were incurred and the amounts. Show the actual dates and amount of expenditures.

Some examples are included below for your reference:

- **Payroll source documentation could include but is not limited to the following:**
 - Employment letters and all authorizations for rates of pay, benefits, and employee withholdings.
 - Minutes from board of directors' meetings where salary schedules and benefit packages are established, copies of written personnel policies, W-4 forms, etc.
 - Staff time charged to the CDBG-DR or CDBG-MIT Program activity, time and attendance records should be available.
 - Important to note that if any of your staff members share time with other funding sources, your organization must hold time distribution records that support allocation charges.
- **Cost of space and utilities, space costs may include but is not limited to:**
 - Rental agreements and utility cost bills and payments.
 - Important for you to have in mind: If your organization shares the cost of space or utilities between your CDBG-DR or CDBG-MIT Program and non-related CDBG activities, you need to establish and follow the approved method to allocate the charges among the sources, consistent with PRDOH and federal guidelines.

Supplied documentation would include; purchase orders or requisition forms initiated by an authorized representative of the Subrecipient, an invoice from the vendor (which has been

¹¹ See, 2 C.F.R. §200.302, Financial Management.

¹² Playing by the Rules: A Handbook for CDBG Subrecipients on Administrative Systems, March 2005, <https://files.hudexchange.info/resources/documents/Playing-By-the-Rules-a-Handbook-for-CDBG-Subrecipients-On-Administrative-Systems.pdf>.

signed-off by the Subrecipient to indicate the goods were received), the canceled check from the vendor demonstrating payment was made, and information regarding where the supplies are being stored and for what cost objective(s) they are being used.

2.4.9 MUST SUBRECIPIENTS KEEP BUDGET CONTROLS IN PLACE?

Yes! Subrecipients must have adequate procedures and practices in place to monitor obligations and expenditures against approved budget(s). Therefore, it is important for you to remember that as a Subrecipient, you must:



It's very important for you to always bear in mind, your SRA provides that PRDOH will not reimburse a Subrecipient for expenditures which exceed approved budget line items or the overall budget for CDBG-DR or CDBG-MIT activities. Reimbursement will only be provided for allowable costs as described in the approved SRA.

2.4.10 WHAT IS PROGRAM INCOME AND WHAT ARE SUBRECIPIENT'S RESPONSIBILITIES IN TRACKING IT?

PRDOH reserves the right to authorize the Subrecipient to retain Program Income to be used in eligible program activities as described in its SRA.

2.4.11 WHAT IS PROGRAM INCOME?

Program income is any gross income received by the Subrecipient 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).

2.4.12 WHAT DO YOU AS SUBRECIPIENT NEED TO DO IN CASE OF PROGRAM INCOME GENERATION?

Your SRA states that you must notify PRDOH, within **twenty-four (24) hours** of receipt, of any program income generated by activities carried out with CDBG-DR funds from your SRA. All

Program Income generated by activities carried out with the CDBG-DR funds must be returned to PRDOH if retention of such is not previously authorized by PRDOH.

2.4.13 WHAT HAPPENS IF THE PROGRAM INCOME GENERATED IS ONLY PARTLY PRODUCED WITH CDBG-DR FUNDS?

If program income is generated by a project that is only partially assisted with CDBG-DR funds, the amount of program income attributable to CDBG-DR shall be pro-rated accordingly to reflect the percentage of CDBG-DR funds used (24 CFR Part 570.489(e)(1)). Please see the following table containing examples of what is considered program income:

PROGRAM INCOME	NOT PROGRAM INCOME
Proceeds from the sale or long-term lease of real property purchased or improved with CDBG-DR funds.	Total amounts of less than \$35,000 received in a single year.
Proceeds from the disposition of equipment purchased with CDBG-DR 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 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 funds, less any costs incidental to the generation of such income.	
Payments of principal and interest on loans made using CDBG-DR funds.	
Proceeds from the sale of loans made with CDBG-DR funds.	
Proceeds from the sale of obligations secured by loans made with CDBG-DR 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 portion of a public improvement.

Please remember that program income must follow the agreed upon clause(s) in your SRA. For more information on this topic, attached hereto the Program Income Policy [Appendix VI¹³](#).

2.5 WHAT ARE SUBRECIPIENT'S RESPONSIBILITIES AS TO PROGRAM RECORD KEEPING?

Records and documentation are everything! Remember, if you don't document and adequately keep records, you cannot show adequate management of funds, Program performance or regulatory compliance.

2.5.1 WHAT CAN HAPPEN?

Serious monitoring findings and HUD audit findings which could result in recapture of funds. As stated in the SRA, as Subrecipient you are required to retain records for a five (5) years term after project close-out. But remember that your organization needs to retain records longer if the records relate to audit resolution, audit appeal, or other action initiated prior to the end of the record retention period but extending beyond that period.

2.5.2 WHEN DOES THE RETENTION PERIOD START?

When the annual or final expenditure report has been submitted or, for non-expendable property, from the date of final disposition.

For more information you can see attached hereto [Appendix VII](#) CDBG-DR Record Keeping, Management, and Accessibility Policy (**RKMA Policy**)¹⁴.

¹³ For the Spanish version of the Program Income Policy Spanish please visit: <https://cdbg-dr.pr.gov/download/politica-de-ingresos-del-programa/>.

¹⁴ For the Spanish version of the RKMA Policy please visit: <https://cdbg-dr.pr.gov/download/politica-sobre-manejo-administracion-y-accesibilidad-de-documentos/>.

2.5.3 WHAT ARE YOUR RECORD KEEPING RELATED RESPONSIBILITIES AS A CDBG-DR PROGRAM SUBRECIPIENT?

- As Subrecipient, your organization must have a Record Keeping Policy. However, as stated in the Subrecipient Management Policy, if your organization does not have a Record Keeping Policy in place, you can adopt PRDOH's RKMA Policy and follow requirements contained in such document.
- As Subrecipient, your organization must have procedures in place which detail the management and implementation of record keeping practices.
- It is critical for all of your staff to be trained and aware of the record keeping related requirements and the procedures.

Remember, you may adopt and implement the RKMA Policy if your organization doesn't have an existing Record Keeping Policy. While the SRA dictates general record keeping requirements, you want to make sure that you are documenting things that include but are not limited to, program and program performance, income eligibility requirements, duplication of benefits, financial management compliance and applicable federal cross-cutting requirements.

2.5.4 WHAT ARE THE RECORDS THAT YOUR ORGANIZATION, AS SUBRECIPIENT, MUST MAINTAIN?

The records include, but are not limited to, the following:

Budget
Accounting Procedures, including internal controls
Accounting journals, ledgers, & chart of accounts
Source documentation (purchase orders, invoices, canceled checks, electronic payments)
Procurement files (including bids, contracts, etc.)
Records providing a full description of each activity undertaken and eligibility
Payroll records and reports
Financial reports
Audit reports and documentation
Relevant financial correspondence and any other document that shows financial management

compliance

Records demonstrating that activity undertaken meets one of the National Objectives of the CDBG-DR Programs as modified by HUD Notices.

Records documenting compliance with the fair housing and equal opportunity requirements of the CDBG-DR Program that prohibit discrimination against any protected classes (e.g. demographic information on applicants, beneficiaries, and area impacted by projects).

Records documenting compliance with cross cutting requirements (e.g., Davis-Bacon, Uniform Relocation Act, and Lead-Based Paint)

Please note: the above is a non-exhaustive list and the items above are examples for your reference.

You can also find a Document Maintenance Checklist under **Appendix VIII** included under this document.

2.6 NATIONAL OBJECTIVES

2.6.1 DO SUBRECIPIENTS HAVE TO KEEP RECORDS TO DOCUMENT NATIONAL OBJECTIVES?

Yes! Subrecipients need to maintain records that show that activities undertaken meet one of the criteria for National Objectives.

Please see the following table containing examples of the type of documentation that you must maintain to confirm that your activities meet any of the National Objective criteria:

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 or presumed to be low/moderate income (by category).
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 C.F.R. § 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

- Evidence of formal slum/blighted 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

- Documentation of urgency of need and timing as established in CDBG-DR Action Plan
- Certification that other financing resources were unavailable, and CDBG-DR meets the unmet need.

2.6.2 DO SUBRECIPIENTS NEED TO DOCUMENT THAT ACTIVITIES CARRIED OUT ARE TIED TO DISASTER?

As Subrecipient of PRDOH and as required under the SRA and applicable federal regulations, you are responsible for documenting that activities carried out by your entity are eligible activities as previously detailed in this Manual.

As a Subrecipient, you need to remember to document that your activities and/or project as a whole, meet eligibility requirements and that they are related to recovery from the disaster(s) covered by the appropriation.

2.6.3 HOW DO THE ACTIVITIES IN YOUR PROGRAM OR PROJECT ADDRESS A DISASTER RELATED IMPACT AND SERVES TO RESTORE HOUSING, INFRASTRUCTURE OR THE ISLAND'S ECONOMY?

A possible approach to documenting this could be:

- Applicant suffered physical or economic damage from the hurricanes or – funded project will help to economically revitalize an impacted community, including new construction.
- Post-disaster analyses or assessments for economic or non-physical losses.
- It is important to keep in mind: simply being located within a declared area is not sufficient documentation – you must be able to show that the specific project or applicant has a tie to the disasters. Documenting this in a timely manner is necessary as documenting the tie to disasters can become quite challenging as time passes.

2.7 DUPLICATION OF BENEFITS:

2.7.1 WHAT IS DUPLICATION OF BENEFITS?

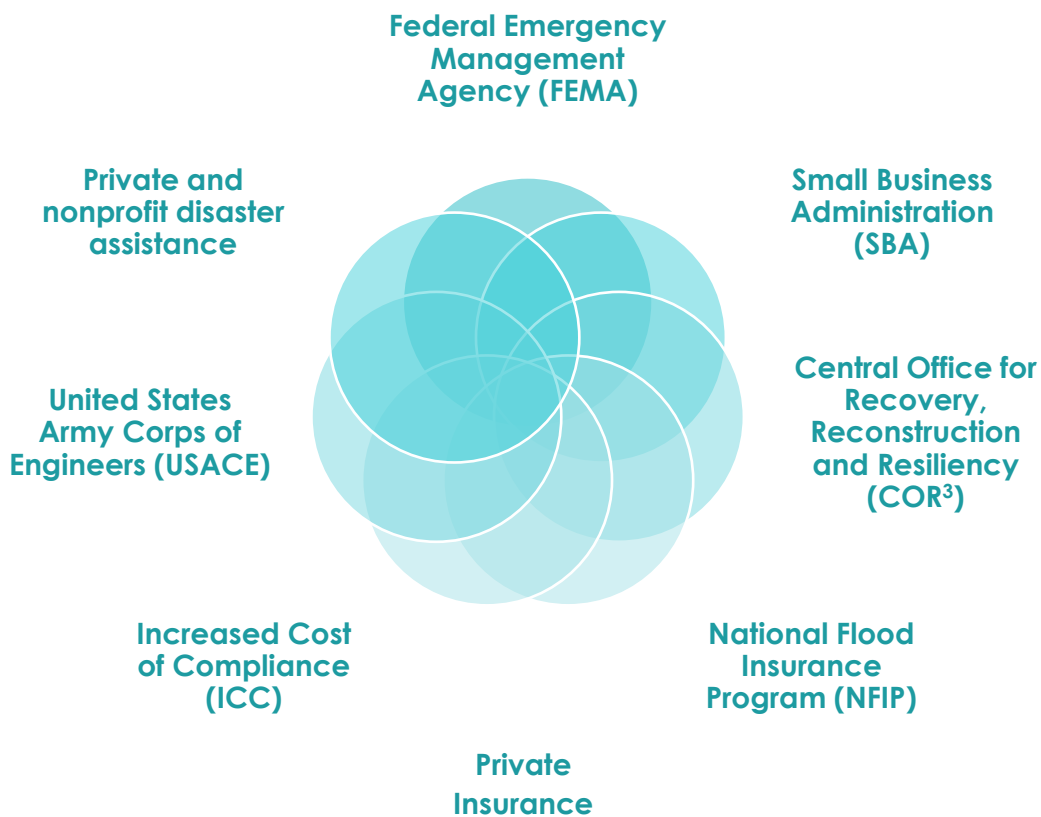
The Stafford Act prohibits any person, business concern, or other entity from receiving Federal funds for any part of such loss as to which they have received financial assistance under any other

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 see your specific Program Guidelines and specific programmatic activity DOB requirements.

2.7.2 WHAT ARE SUBRECIPIENT'S RESPONSIBILITIES IN DOCUMENTING COMPLIANCE?

Don't forget that you are responsible for record retention of documents submitted by applicants to avoid Duplication of Benefits in the assistance provided, as it relates to specific CDBG-DR Programs or projects under your SRA.¹⁵

Common disaster assistance sources include, but are not limited to:



¹⁵ 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.

For additional information on how specific programs will address DOB, you may access published Program Guidelines in English and Spanish at <https://www.cdbg-dr.pr.gov/en/resources/policies/program-policies/> or <https://www.cdbg-dr.pr.gov/recursos/politicas/politicas-de-programas/>.

You can also find more information and a detailed explanation about this subject in the Duplication of Benefits Video Reference at: <https://cdbg-dr.pr.gov/en/frequently-asked-questions/>; <https://youtu.be/gEGwSbJ5URM>.

2.7.3 WHAT ARE SUBRECIPIENT RESPONSIBILITIES ON ACCESS TO RECORDS?

Subrecipients need to be conscious of the fact that HUD and the Comptroller General of the United States, or their authorized representatives, have the right to access Subrecipient entity program records. Also, PRDOH is required to provide citizens with reasonable access to all records regarding current and past funded programs (as applicable privacy and confidentiality state and local laws allow).

This and all the information contained above means that your organization needs to have a strong record keeping system compliant with requirements.

2.8 PROCUREMENT

As part of the activities that Subrecipients will carry out, it is likely that you will need to go through a procurement process to acquire any goods or services needed to carry out those activities.

It is critical for you to understand that your organization, as a CDBG-DR Subrecipient, must follow and meet the procurement requirements set forth in 2 C.F.R. §200.318 through 2 C.F.R. §200.327 for the procurement of any materials, property, equipment, or service. It is required that Federal dollars are spent fairly and encourage open competition at the best level of service and price. These requirements are to be adhered by all parties participating in the procurement.



PRDOH monitors the procurement actions of their Subrecipients as part of their oversight. The consequences of non-compliance with the above could result in unpaid reimbursement requests and even SRA termination.

Please be advised that you are required to undertake orientations detailing the rules and requirements set forth in 2 C.F.R. §200.318 through 2 C.F.R. §200.327.

The essence of “good procurement” can be summarized as follows:

- Identify and clearly specify standards for the goods or services the subrecipient wants to obtain;
- Seek competitive offers to obtain the best possible quality at the best possible price;
- Use a written agreement that clearly states the responsibilities of each party;
- Ensure the fair and equitable treatment of all bidders and potential bidders;

- Keep good records; and
- Have a quality assurance system that helps the subrecipient get what it pays for.

2.8.1 WHAT ARE SELECTION PROCESSES UNDER PRDOH CDBG-DR PROCUREMENT?

There are various methods for the procurement of goods and services, however, the adequate method may depend on your organization, the activities you will be carrying out as Subrecipient and the amount and types of goods or services to be obtained. You can find guidance on the available methods of procurement on the LMS Core Curriculum Procurement 102: Overview of Procurement Processes for Subrecipients. The PRDOH Procurement Division is available to provide specific technical assistance or guidance on procurement processes.

2.8.2 CONTRACTUAL AGREEMENTS BETWEEN SUBRECIPIENT AND THIRD PARTIES UNDER YOUR SRA.

A very important detail that you need to be aware of is that in the procurement of goods or services, you will execute a contractual agreement in which you need to include all applicable PRDOH's conditions. As Subrecipient you are responsible for requiring all contractors to flow down the PRDOH's Conditions, as well as termination for convenience of the PRDOH, to all subcontractors as well as the requirement to flow down such terms to all lower-tiered subcontractors. These Conditions include required terms for project contracts, HUD General Provisions, Participation by Minority Group Members and Women Requirements and Procedures for Contracts with Housing Trust Fund Corporation, Standard Clauses for Contracts with the PRDOH and required diversity forms.

2.9 SINGLE AUDIT

As a subrecipient, you are required to comply with the Single Audit Requirements as included in your SRA.

2.9.1 WHAT DOES THIS MEAN?

1. You need to understand the provisions related to Single Audit under the SRA.
2. You must be vigilant of your federal fund expenditures from federal awards during the respective fiscal when such expenditures equal or exceed the \$750,000 threshold set forth in §200.501.
WARNING: This includes all federal award expenditures!! Make sure you have a good accounting and expenditure tracking system.
3. Once you meet the threshold you need to notify PRDOH and report that event in your corresponding monthly progress report.
4. Engage the appropriate parties for your organizations Single Audit Review.
5. Once you obtain your Single Audit Report, electronically submit data and reporting related to the Single Audit report, to the Federal Audit Clearinghouse (**FAC**) (2 C.F.R. § 200.512(d)) and that no protected personally identifiable information as set forth in 2 C.F.R.

§ 200.512(a)(2)) is included in such reports. You can access the FAC via the following link:
<https://facweb.census.gov/>.

Additionally, PRDOH will request that your organization provide an annual certification form, attached hereto as **Appendix IX**, for the previous fiscal year stating that your organization did not reach the annual expenditure threshold and as a result it is not required to undergo a Single Audit as required by the above-mentioned regulation. PRDOH will provide such annual certification form to the Subrecipient in the event it is required.

2.9.2 WHAT HAPPENS WHEN THE PRDOH OBTAINS YOUR SINGLE AUDIT REPORT?

It is important for you to understand that PRDOH will review your organization's Single Audit Report and should there be any factors or findings that may have an impact on your performance, use and/or administration of federal funds or of carrying out the activities included in your SRA, PRDOH may request any necessary corrective actions. If any such concerns or findings are contained in the Single Audit Report, your organization must provide a written communication to PRDOH within thirty (30) days of such disclosure. If deemed necessary, PRDOH may request to schedule a meeting with your organization to review overall program performance, financial records, any corrective actions needed.

2.10 UNIFORM RELOCATION ASSISTANCE

As a Subrecipient, you need to comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (**URA Act**) as amended, 42 U.S.C. § 4601 et seq., and section 104(d) of the Housing and Community Development Act of 1992, as amended (**HCDA**), 42 U.S.C.A. § 5301. These regulations establish minimum federal requirements for the acquisition of real property for federally funded programs and projects, and for the relocation of persons who must move from their homes, businesses, or farms as direct result of acquisition, rehabilitation, or demolition for a Federally-funded program or project.

2.10.1 WHEN ARE URA REQUIREMENTS APPLICABLE?

When any project is funded in part or in full by CDBG-DR funds, and all activities related to that project.

2.10.2 WHAT IS THE MAIN PURPOSE OF HUD REGULATIONS ON URA?

To provide uniform, fair, and equitable treatment of persons whose real property is acquired or who are displaced in connection with federally funded projects.

When CDBG-DR funds are planned, intended or used for any activity or phase of a project and the phases are interdependent, URA applies to that activity or project. This includes any property acquisition, even if CDBG-DR funds are not used to fund the purchase, if the contract to acquire property is executed with the intention of seeking CDBG-DR funds to complete the project or an interdependent phase of the project.

2.10.3 URA RECORD KEEPING AND REPORTS

Any entity, agency, project or activity to which URA applies, shall properly notify in writing all affected property owners and tenants, and maintain adequate records of its acquisitions and displacement activities in sufficient detail to demonstrate compliance, as provided in 49 C.F.R § 24.9. Additionally, confidentiality of records must be maintained, unless applicable law provides otherwise.

You can look at the PRDOH's Uniform Relocation Assistance Guide & Residential Anti-Displacement and Relocation Assistance Plan (**URA & ADP Guide**) via the following link: [Appendix X¹⁶](#).

2.11 SECTION 3 COMPLIANCE & MINORITY AND WOMEN BUSINESS ENTERPRISES COMPLIANCE (M/WBE)

As Subrecipient of the PRDOH, Section 3 requirements compliance requirements must be adhered to. The PRDOH CDBG-DR website contains information regarding the PRDOH policy and tools available to fulfill Section 3 participation for new hires, training, contracting and other economic opportunities for participation in federal contracting opportunities with CDBG-DR funding.

The Federal Compliance Division will reach out to your compliance coordinator or manager to request reports and offer training once you have completed the onboarding training as mentioned above.

The Federal Compliance Division, responsible for the implementation of Section 3, M/WBE will require Subrecipients to report on these compliance areas as detailed in further on this Manual.

For questions related to Section 3 Compliance, you can write to Section3CDBG@vivienda.pr.gov with your inquiries or concerns.

For questions related to M/WBE compliance you can write to MWBECDGB@vivienda.pr.gov with your inquiries or concerns.

2.12 DAVIS BACON COMPLIANCE

2.12.1 WHAT DOES YOUR ORGANIZATION NEED TO KNOW AS SUBRECIPIENT OF THE CDBG-DR PROGRAM?

PRDOH adopted a Davis Bacon and Related Act (**DBRA**) Policy to comply with applicable federal legal and regulatory requirements and as a result, subrecipients must implement and comply with the PRDOH DBRA Policy.

Most construction projects funded with CDBG-DR funds must comply with DBRA requirements to ensure that laborers and mechanics are paid prevailing wages, including overtime, for the work

¹⁶ For the Spanish version of the URA & ADP Guide please visit: <https://cdbq-dr.pr.gov/download/guias-ura-adp/>.

performed on CDBG-DR funded projects. Contractors awarded contracts funded with CDBG-DR funds are responsible for understanding and complying with DBRA. The Federal Compliance Division and/or your Program POC will provide guidance on applicability of DBRA to your construction project.

Remember: PRDOH and its subrecipients are responsible for reviewing certified payroll and other records to ensure compliance.

2.12.2 DO SUBRECIPIENTS HAVE SPECIFIC DBRA REQUIREMENTS FOR DBRA-COVERED PROJECTS?

YES! If your construction project needs to comply with DBRA requirements, you will need to do the following:

Require awarded contractors and their subcontractors to submit weekly Certified Payroll Records (CPRs).

Perform on-site employee interviews and employee questionnaires.

Perform periodic "spot check" review of the submitted CPRs and related submissions, including comparison of on-site interviews.

Ensure awarded contractors pay laborers and mechanics, at least the locally prevailing wages (including fringe benefits).

Identify potential willful violations and enforce corrective actions for identified errors.

Thoroughly explore any evidence of violations, especially allegations of underpayment, and ensure full resolution of substantiated violations.

Enforce the referral of potential criminal/complex investigations, debarment, and/or CWHSSA liquidated damages to HUD.

Pursue debarment and other available sanctions for contractors that repeatedly violate prevailing wage requirements and/or fail to properly carry-out their labor standards

The Federal Compliance Division will reach out to subrecipients to offer additional trainings after the completion of the initial trainings are completed.

For more information, please visit the web pages to locate policy guides and other useful resources: <https://cdbg-dr.pr.gov/en/davis-bacon-website-map/>

For questions related to Davis Bacon and Related Acts compliance you can write to DavisBacon@vivienda.pr.gov with your inquiries or concerns.

2.12.3 FAIR HOUSING AND EQUAL OPPORTUNITY

It is very important for all Subrecipients to ensure that your programs, policies, and projects do not have the effect of discriminating or disproportionately impacting any protected classes of people or their communities, even if it is unintentional. Federal law requires that federally funded programs, including CDBG-DR, are implemented in a manner that does not deny any individuals the opportunity to participate in, access, or benefit from the CDBG-DR Program on the basis of any federally or locally designated protected classes.

For more information on the Federally or locally designated protected classes please visit the Fair Housing and Equal Opportunity Policy for CDBG-DR Programs (**FHEO Policy**) available in English and Spanish at: <https://www.cdbg-dr.pr.gov/en/download/fair-housing-and-equal-opportunity-fheo-policy-for-cdbg-dr-programs/> and <https://cdbg-dr.pr.gov/download/politica-de-equidad-de-vivienda-e-igualdad-de-oportunidades-para-los-programas-cdbg-dr/>.

2.12.3.1 Fair Housing & Equal Opportunity

The FHEO Policy establishes requirements and provides guidance for ensuring that CDBG-DR programs do not discriminate against protected classes of people. Included in this policy is a summary of all civil rights-related and anti-discrimination laws which must be complied with, strategies and requirements for the affirmative marketing of programs to potential participants, the handling of discrimination complaints, equal opportunity employment requirements, communication requirements, recordkeeping requirements, and other information critical for ensuring compliant design and implementation of the CDBG-DR Program.

Subrecipients should ensure that infrastructure activities will avoid disproportionate impact on vulnerable populations and create opportunities to address economic inequities facing local communities within their jurisdiction.

2.12.3.2 Reasonable Accommodations & Modifications

Federally funded programs are required under Section 504 of the Rehabilitation Act of 1973, as amended, to make reasonable accommodations and modifications for individuals with disabilities. The purpose of Section 504 is to avoid discrimination and ensure these individuals have an equal opportunity to access and enjoy the benefits of the Program. Requests for accommodations (changes to a rule, policy, practice, or service) and reasonable modifications (structural changes to a building or dwelling) most commonly arise in housing programs, however Section 504 applies to all federally funded programs and activities.

Subrecipients must have a process in place for how they will provide for program participants to submit a request for accommodation or modification, how they will be evaluated in compliance with Section 504 and the Americans with Disabilities Act of 1990, as amended (**ADA**), and how this evaluation and resolution process will be documented. PRDOH has established the Reasonable Accommodation Policy to guide individuals on how to submit a non-employment related request and establishes certain requirements for subrecipients and contractors on how to receive and evaluate reasonable accommodation and modification requests.

PRDOH and its subrecipients will ensure that program participants are made aware of their right to request reasonable accommodations, and that every effort is made to meet the disability-related needs of requesting individuals to the maximum extent feasible, so far as providing the requested accommodations or modifications is considered reasonable.

2.12.3.3 Language Accessibility

PRDOH and Subrecipients are responsible for complying with the PRDOH Language Access Plan (**LAP**). The purpose of the LAP is to ensure meaningful access to federally assisted programs and activities for persons, who as a result of national origin, are limited in their Spanish or English proficiency. The Language Access Plan provides concrete action steps that shall be followed by Subrecipients and contractors to ensure that appropriate language services and translated vital documents are made available to potential and CDBG-DR Program participants in accordance with the LAP.

2.13 ENVIRONMENTAL COMPLIANCE AND REVIEW

The environmental review process is required for all HUD-assisted projects, including CDBG-DR funded projects, to ensure that the proposed project does not negatively impact the surrounding environment and that the property site itself will not have an adverse environmental or health effect on end users.

An environmental review is the process of reviewing a project and its potential environmental impacts to determine whether it meets federal, state, and local environmental standards. Every project undertaken with Federal funds, and all activities associated with such project, are subject to the provisions of the National Environmental Policy Act of 1969 (**NEPA**), and HUD environmental review regulations.

2.13.1 AS SUBRECIPIENT, ARE YOU RESPONSIBLE FOR ENVIRONMENTAL COMPLIANCE AND REVIEW?

While PRDOH generally undertakes environmental compliance tasks and review, your responsibilities as Subrecipient will depend on the terms and conditions of your SRA and the nature of your Program. Usually, a level of responsibility for environmental determination for project activity will be required prior to the development of the SRA. The environmental review (based upon that level of environmental determination) may be required prior to receiving funding.

To conduct the appropriate level of environmental review the Program will need to determine the environmental classification of the project. The term “project” may be defined as an activity or group of activities geographically, functionally, or integrally related, regardless of funding source, to be undertaken by the Program in whole or in part to accomplish a specific objective.

Your program guidelines provide further information on this topic.

2.14 PROJECT CLOSEOUT

2.14.1 WHAT ARE YOUR RESPONSIBILITIES FOR PROJECT CLOSEOUT?

Documents demonstrating compliance must be retained by the Subrecipient for a period of five (**5**) years after the close-out of the Agreement. Personnel files must be maintained separately from correspondence and other related program files. 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 the Subrecipient:

Expend all grant funds in accordance with needs or return funds.

Updates accomplishments data to reflect all activities completed (or canceled).

Update the performance measures for actual versus proposed.

2.14.2 CROSS CUTTING GUIDELINES

Some federal and local requirements apply to all programs funded by CDBG-DR. The 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 CDBG-DR Initial Action Plan and its amendments.

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

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CDBG OVERVIEW & PURPOSE



SUBRECIPIENT RESPONSIBILITIES



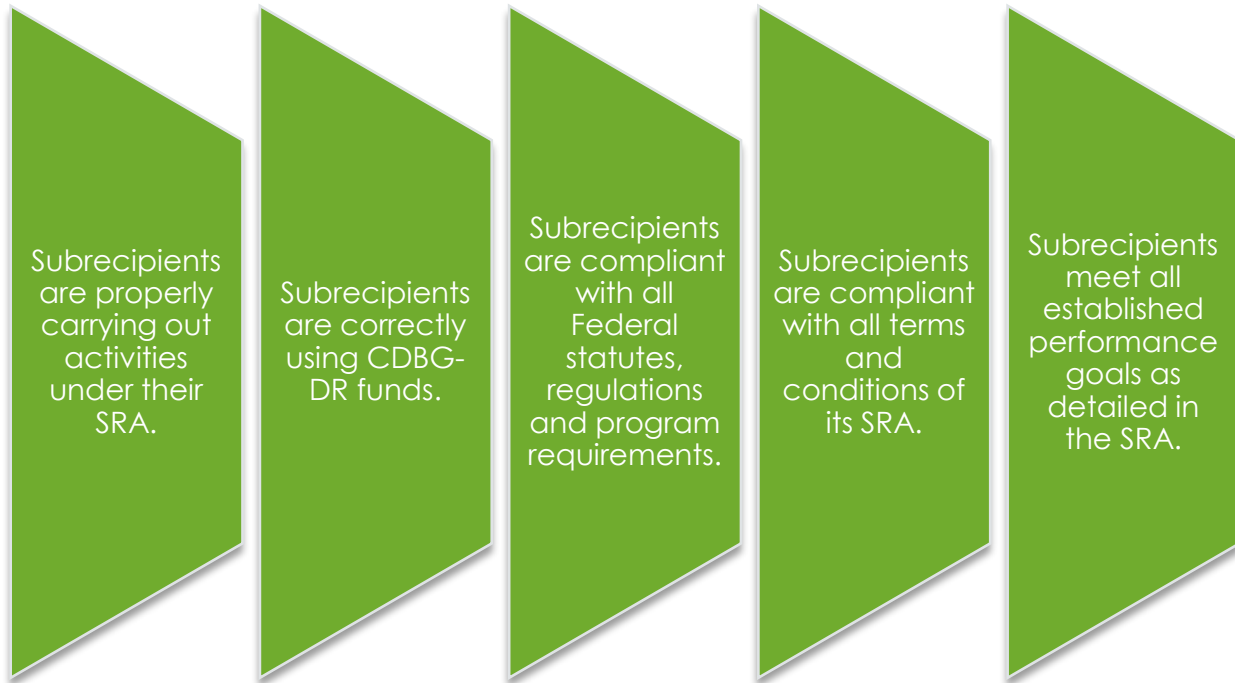
PRDOH RESPONSIBILITIES

HOW DOES THE PRDOH TRACK SUBRECIPIENT PERFORMANCE?

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3.1 OVERSIGHT AND SUBRECIPIENT MANAGEMENT

As Subrecipient, you have many responsibilities in carrying out specific Program activities and managing CDBG-DR funds. As a result, the PRDOH has the responsibility of establishing oversight mechanisms on Subrecipients to ensure the following:



To achieve the above, PRDOH has put in place certain oversight mechanisms including policies, procedures and tools, among others, to ensure that you are meeting your responsibilities as Subrecipient of the PRDOH CDBG-DR Program. Oversight will be performed at different levels as follows:



PRDOH has set various oversight mechanisms to ensure that the activities carried out by you as Subrecipient on its behalf, are appropriate and in compliance with your SRA and applicable laws and regulations. Program Areas are responsible for the day to day oversight and management of Subrecipients. The purpose is that any possible issues related to performance or compliance are identified in a timely manner and corrective action is performed to address such issues.

REMEMBER: Most problems can be solved if they are addressed in a timely manner. If you self-identify any issue, you need to contact your POC to address appropriately and quickly - this results in a more productive and efficient implementation of Programs.

Based on the above, you should expect regular PRDOH oversight efforts which will require your cooperation. This means that you must provide information PRDOH requests, including but not limited to Monthly Reports and other data or reports.

The Program Area, as manager of the Program and your performance, will conduct oversight activities on a periodic basis.

Please be aware that the Disaster Recovery Deputy Secretary, the PRDOH Legal Director and the PRDOH Finance Director (PRDOH Management) will be periodically provided with information and updates of actions taken with Subrecipients and necessary recommendations.

The above is part of PRDOH's overall efforts to ensure activities are carried out in compliance with CDBG-DR requirements, program funds are expended in accordance with requirements and achieve the Program's success.

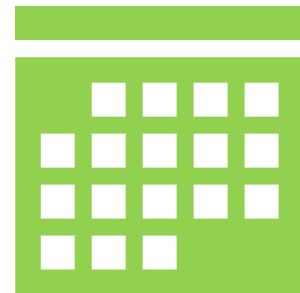
3.2 REPORTS

3.2.1 WHAT ARE PROGRAM AREA MONTHLY REPORTS?

A monthly report is a document to which Subrecipients are required to complete and submit on a monthly basis, as included in the SRA, where you detail your regular monthly progress to the PRDOH. The detail included relates the administrative matters and performance of your activities.

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 activities on the progress of Key Activities.

Your Program POC will provide instructions on how to access and work with the Progress Report Portal. In addition to instructions, PRDOH will provide training on how to work the Performance Report Portal.



3.2.2 FOR WHAT PURPOSES DOES THE PRDOH USE THE DATA YOU INCLUDE IN THE MONTHLY REPORT?

Program Areas review and evaluate content of monthly reports to know and understand that Subrecipients are carrying out activities contemplated in the SRA and performing as agreed to, among other things. You should specifically be aware that PRDOH will evaluate the progress of the Key Activities in your SRA as included in the Monthly Report to assess your performance. This in turn will be used to assess if you are on track with performance, need technical assistance and/or

to substantiate your invoices, etc. Please note that the contents of the Monthly Report or the information requested by the Program can change based on Program needs.

3.2.3 ARE THERE ANY OTHER REPORTS TO BE SUBMITTED TO THE PRDOH CDBG-DR PROGRAM?

Yes! The CDBG-DR Program may require your organization to submit additional reports necessary for the Program. Your Program POC or a CDBG-DR Program contact will notify you of such need.

Federal Compliance Reports:

Please take note that the CDBG-DR Program's Federal Compliance Division, responsible for the implementation of Section 3, M/WBE, Fair Housing, Davis Bacon and Related Acts will require Subrecipients to report on these compliance areas. These compliance areas are a part of the overall requirements of your SRA and the CDBG-DR Program.

3.2.3.1 When are the Federal Compliance Report collected?

Section 3, MWBE and FHEO Quarterly Reports are collected on the following dates for each year your SRA is active:

- January 5
- April 5
- July 5
- October 5

Projects which are subject to Davis Bacon will also need to comply with the policy guide and other resources made available by PRDOH.



For more information, please visit the following web pages to locate policy guides and other useful resources:

- For Section 3: <https://www.cdbg-dr.pr.gov/en/section-3/> & <https://cdbg-dr.pr.gov/download/politica-sobre-seccion-3/>
- For Minority and Women Business Enterprises (M/WBE): <https://cdbg-dr.pr.gov/en/section-3/enterprise-woman-minority-mwbe/> & <https://cdbg-dr.pr.gov/download/politica-mwbe/>
- For Davis Bacon: <https://cdbg-dr.pr.gov/en/davis-bacon-website-map/> & <https://cdbg-dr.pr.gov/download/politica-sobre-la-ley-davis-bacon-y-las-leyes-relacionadas/>
- For Fair Housing and Equal Opportunity (FHEO): <https://cdbg-dr.pr.gov/en/fair-housing/> & <https://cdbg-dr.pr.gov/download/politica-de-equidad-de-vivienda-e-igualdad-de-oportunidades-para-los-programas-cdbg-dr/>

3.3 MONITORING

3.3.1 WHAT IS THE PURPOSE OF PRDOH MONITORING ACTIVITIES?

PRDOH must ensure that Subrecipients are properly carrying out activities. In order for the PRDOH to meet such requirement, it has set certain oversight mechanisms to track progress and monitor performance. The purpose is to ensure that:

-  You are using funds for the authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the SRA; and
-  Your performance goals are achieved.

3.3.2 WHAT CAN YOU EXPECT FROM A MONITORING REVIEW OR VISIT?

Because PRDOH must ensure, as Grantee, that all CDBG-DR funds are spent effectively and accomplish their intended purpose, it must monitor and conduct oversight activities for such purposes.

In accordance with your SRA, PRDOH will perform all necessary monitoring activities to ensure funds allocated to your organization under the SRA are used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of this Agreement, including the timeframes and performance goals set forth the SRA as these relate to the activities included under your Scope of Work.

3.3.3 HOW IS THE MONITORING PROCESS CONDUCTED?

Internal Monitoring policies and procedures call for the CDBG-DR Program to perform annual monitoring reviews on Subrecipients per the Monitoring schedule.

Upon your first draw of funds after you have presented your reimbursement request, your organization will enter the CDBG-DR Program Risk Assessment pool wherein the Monitoring Division will perform an assessment of your organization and will determine, based on certain risk factor criteria, the type of risk associated to your organization under the CDBG-DR Program.

Based on the results, the Monitoring Division determines the type of monitoring review it will perform on your organization. A notification will be sent to your organization advising your organization of the monitoring review and details of the review.

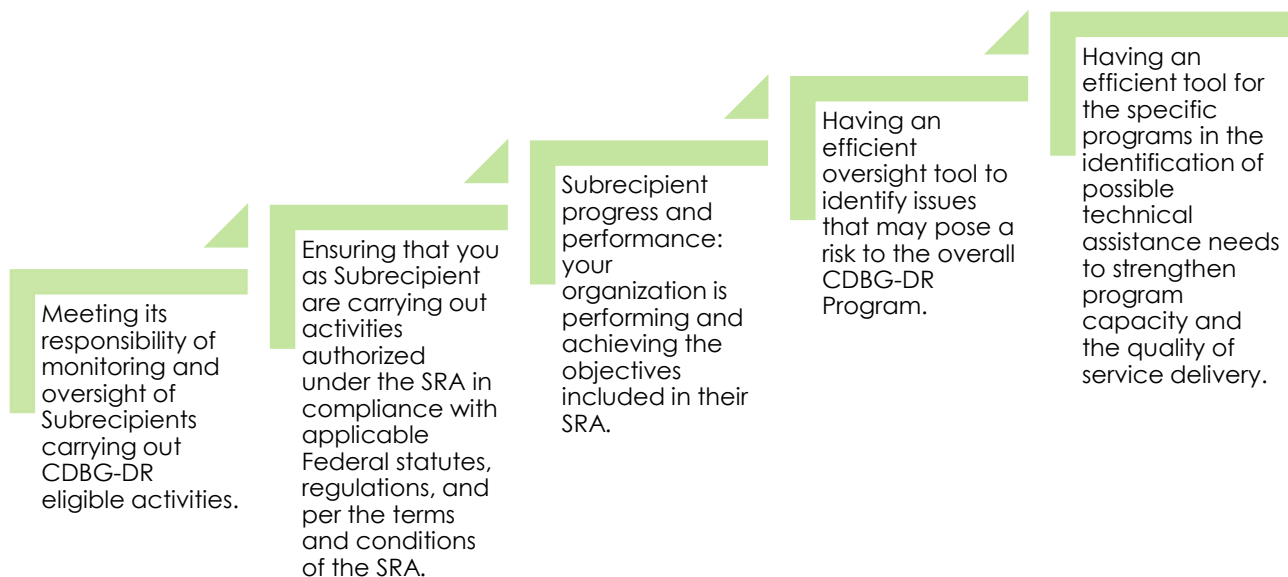


After completing the monitoring review, the Monitoring Division will coordinate with your organization certain meetings to discuss the results of the review and ultimately a Monitoring Report is issued.

If any deficiencies are identified, you will be required to address them in the timeframe provided. This means, that if any of those findings call for corrective actions, you must put those in place in order to resolve and close the findings.

The CDBG-DR Program Monitoring Division 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.

3.3.4 WHAT DOES THE MONITORING PROCESS ACHIEVE FOR PRDOH?



3.3.5 WHAT TYPES OF OUTCOMES MAY RESULT FROM A MONITORING REVIEW OR VISIT?

- Your organization may be assigned a higher level of risk and additional conditions to mitigate that risk of non-compliance may be assigned.
- PRDOH may issue management decisions¹⁷ for audit findings pertaining to the Federal award provided to the Subrecipient from PRDOH as required by 2 C.F.R. § 200.521.
- PRDOH may consider taking enforcement action against noncompliant Subrecipients as described in 2 C.F.R. § 200.339 which speaks to remedies for noncompliance.

PRDOH follows HUD monitoring and oversight related guidance. As such, you can access HUD's A Guidebook for CDBG Grantees on Subrecipient Oversight via the following link:

¹⁷ Management decision means the evaluation by the Federal awarding agency or pass-through entity of the audit findings and corrective action plan and the issuance of a written decision to the auditee as to what corrective action is necessary. 2 C.F.R. §200.521.

https://www.hud.gov/sites/documents/DOC_17086.PDF. You can see monitoring checklists that may serve as guidance for your organization in understanding topics which may be covered in monitoring reviews.

3.4 AUDITING

3.4.1 WHAT ARE THE KEY AUDIT ASPECTS THAT YOUR ORGANIZATION SHOULD BE AWARE OF REGARDING CDBG-DR PROGRAM AUDITS?

As provided in your SRA and following provisions under 2 C.F.R. Part 200, you are required to make available to PRDOH, HUD, and the Comptroller General of the United States, or any of their authorized representatives for audit, or examination purposes any record that pertains to matters covered by your SRA. It is important for you to understand as Subrecipient that the above agencies have full authority to request, as they deem necessary, any relevant data for purposes including but not limited to auditing, examination and/or review.



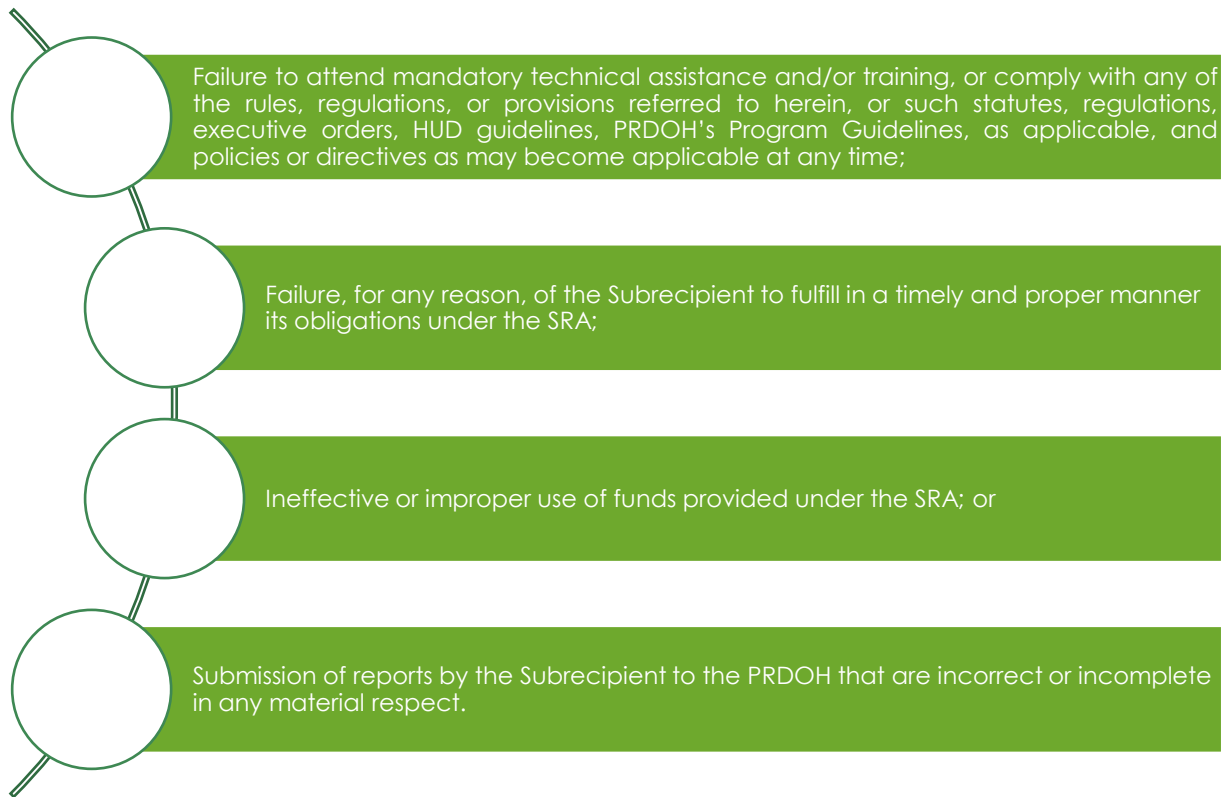
After being subject of an audit or examination, you will be provided an audit report. If there are any deficient findings notified in the audit report, you are required to fully clear them within **thirty (30) days** after receipt of the audit report. Please remember that failure of the Subrecipient to comply with the above audit requirements shall constitute a violation of your SRA and may result in the withholding of future payments and/or termination.

3.5 NONCOMPLIANCE OR NONPERFORMANCE

As stated throughout this document, you are required to comply with the terms and conditions of your SRA and all federal requirements applicable to the CDBG-DR Program, as may be detailed in such Agreement, the Subrecipient Management Policy, this Manual and additional CDBG-DR documents.

This means that you need to meet all administrative and programmatic requirements coming from the above referenced documents. Particularly, your organization is contractually bound to comply with the SRA provisions and to carry out the activities contained thereunder in the manner requested and agreed upon under the Scope of Work and the Timelines and Performance Goals.

Your SRA contains provisions for termination for cause if at any point PRDOH determines that your organization has failed to comply with any term, condition, requirement, or provision of this Agreement. Failure to comply with any terms of this Agreement, include (but are not limited to) the following:



PRDOH is allowed to take the appropriate actions to prevent a continuance of the deficiency, mitigate any adverse effects or consequences, and prevent a recurrence. Equally important for your organization to understand is that PRDOH can establish remedies to address Subrecipient noncompliance.

As such, PRDOH has adopted oversight guidance for its Program POCs to understand the manner in which PRDOH, through Program Areas, and PRDOH Legal Division, will objectively manage potentially non-compliant Subrecipient with SRA provisions. PRDOH POCs are provided steps to follow in order to work with your organization in identifying and correcting any non-performance issue. These provisions cover items that include but are not limited to staffing changes reporting, monthly reporting, Section 3 reporting, procurement compliance, and meeting specific delivery of activities as included in the Scope of Work and the Timelines and performance goals.

3.6 APPROVAL

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