

REPORTING AND FISCAL MANAGEMENT

CDBG Financial Policies and Procedures:

CDBG funds are used for allowable administrative and planning activities. The CDBG program administrator is responsible for all general management, oversight and coordination which includes:

- Providing local officials and citizens with information about the program
- Submission of application for Federal programs
- Monitoring eligible planning activities
- Monitoring program activities

The CDBG Financial Analyst is responsible for all financial and budgeting reporting which includes:

- Preparing annual budgets and schedules
- Preparing quarterly SF-425 reports
- Approving draw down requests

Monthly Financial Procedures:

On a monthly basis the Financial Analyst will provide the CDBG Program Administrator with a copy of the month's general ledger as well as copies of all subrecipient expenditure supporting documentation, to include proof of subrecipient payments such as canceled checks, or bank statements. After review and approval of the documentation, the CDBG Program Administrator will create vouchers via HUD's IDIS system's website. The Financial Analysis will review and approve the submitted voucher.

After the voucher has been approved, the Financial Analyst will record the income in the CDBG fund.

Quarterly Financial Procedures:

Homewise and the Housing Trust are the two subrecipients that generate program income. On a quarterly basis these two subrecipients provide the CDBG Program Administrator with quarterly reports that show the program generated income (program proof of receipts to include canceled checks, and bank statements as applicable) and total loans provided (program draws). The quarterly reports breakdown the principal, interest fees and amount paid by program (Rehab #501, DPA #510, etc.) and in total. The reports also provide a work plan for the provision of the CDBG home purchase program which details the homebuyer deferred down payment assistance from program income and entitlement funding, how many of these loans are closed (number and amount), how many loans were open and outstanding.

After receipt of the quarterly reports, the CDBG Program Administrator, with review by the Financial Analyst, will receipt and draw down on the Program Income based on the amounts shown on the quarterly report. The Financial Analyst will do a journal entry to record the program income and loan generated/expensed for that quarter. The program income is reimbursed directly to the subrecipient and therefore, no program income or expenses flow through the City's general ledger. However, once all of the program income generated is expensed the

subrecipient may draw down on entitlement funding – this is the only expense that flows through the City's general ledger (subrecipient sends the City an invoice and the City will reimburse the subrecipient and thus receive reimbursement from HUD).

The Financial Analyst will reconcile the CDBG fund for the quarter end in preparation of the SF-425 filing. SF-425 are reconciliations of IDIS's Entitlement Funding, Program Income and Revolving Loan (PR 07 & PR 09) drawdowns to the City's General Ledger.

Filings are due to the local HUD office, 30 days after quarter end (January 30, April 30, July 30, and October 30).

Yearly Financial Procedures:

On a yearly basis, in preparation of the City's annual financial audit, the Financial Analyst will reconcile the CDBG fund and verify that all revenues equal the expenditures, and all expenditures have been spent in accordance to the approved budget.

The Financial Analyst and the CDBG Program Administrator work together to compile an annual budget for the upcoming fiscal year – the budget will include both a re-appropriation of the current grant award and next year's grant award. CDBG grants are awarded on a calendar basis while the City runs on a fiscal year July – June.

The CDBG Program Administrator will file the PR26 – CDBG Financial Summary Report.

1. Staff ensures that all sub-recipients keep track of detailed information to evaluate the effectiveness of the project in meeting the needs of targeted populations. Relevant data includes the number of clients served, ethnicity, income and employment (locally and with the City depending on the program), asset breakdown (when appropriate) and Performance Measurement data by project type (Housing, Economic Development, Public Service or Facilities & Improvements), ethnicity and age breakdown. This information is submitted quarterly. The reports track completion of the contracted scope by demographic category for services provided. The program also must submit financial statements which include a breakdown of the expenditures and revenue (including Program Income where relevant) and a specific description of the charges as defined in the contract. Staff from the Office of Affordable Housing is responsible for reviewing and approving the sub-recipient's account payment requests (invoices) and then submitting the request to the City's Accounts Payable Department for payment.
2. **Sub-recipient Expenditures.** Source documentation must be provided for each invoice

presented by sub-recipients as well as current documentation for the sub-recipient's organization. The CDBG Administrator and Contract Administrator are responsible for the following actions prior to the approval of invoices for payment:

- a. Checklist of Current Documentation is reviewed on a quarterly basis or as invoices are submitted by the sub-recipient, whichever occurs sooner;
- b. Verify the invoice clearly states that the services to be paid support the work scope as outlined in the Professional Services Agreement, with dates of service in line with the program year;
- c. All supporting documents are attached to the invoice, to include: vendor invoices, receipts, and a copy of the sub-recipients' cleared check showing payment to vendors, or bank statement where applicable;
- d. Sub-recipients' payment checks for high amounts (over \$500, for example) must be in compliance with their own financial policies and procedures as noted in the project file;
- e. All other documents, reports requested are up to date, such as Quarterly Reports, Audits, Certificates of Insurance (as noted in the checklist);
- f. No Activity # flag in IDIS is present;
- g. A-133 Audit requirements are checked by the CDBG Administrator and cross-checked by the CDBG Contract Administrator on a quarterly basis and records are kept in the CDBG Administration file for the program year. The review guide (Exhibit 18, pgs. 20-21) is in the CDBG Administration File for the current program year.

If there are any outstanding requests for timely and essential information of any kind, the invoice shall not be approved until those requests are satisfied.

3. **Administrative Expenditures.** Allowable administrative expenditures are tracked on the CDBG Program Ledger by voucher with a narrative description. In the CDBG administration file, copies of all supporting invoices are included. These include portions of salaries of the three staff positions that work on the grant, Spanish

translation fees, advertising, office supplies, travel for training, and commercial printing of fair housing materials.

As shown, the 22537 Business Unit breaks down by line item the required salary billings including Annual Leave; Sick Leave; FICA; Retirement (PERA); Employee Health Insurance; Dental. All other line items below this that are commonly billed to Admin include Other Consulting (Spanish translation; Fair Housing studies, etc.); Office Supplies; Software; Auto Parts (CDBG vehicle); Gas; In and Out of State Travel; Registration; Publishing; Advertising and Inventory Exempt. These are all occasional line items that have allowable CDBG expenses billed to them, though these expenses may only occur a couple of times per year, if at all. Other line items in this section are part of the Finance Divisions' categories and are listed on the standard GL template but are never billed to CDBG.

On a monthly basis, the CDBG Financial Analyst prepares a General Ledger (see attached example in Appendix) detailing all administrative expenditures that are to be posted/vouchered to the CDBG Administrative Activity # in IDIS that were accrued in the prior month.

4. **Salaries and Benefits.** The City of Santa Fe's administrative salaries and benefits are charged to CDBG based on the employee's time spent on the grant. The expenditures charged to CDBG's salaries and benefits are comprised of three positions: Senior Housing Planner, Contracts Administrator and Financial Analyst as follows:

- Eighty (80) percent of the Senior Housing Planner's time is spent on the CDBG grant and therefore his/her salary is 80% expended from CDBG Admin (B/U 22537, Salaries and Benefits various line items) along with - one timesheet is signed by the Senior Housing Planner and approved by his/her Director.
- The Contract's Administrator's time spent on the CDBG grant is 45% - two timesheets are filled out, one for the hours spent on CDBG functions and another for time spent on other grants - both timesheets are approved by his/her Director.
- The Financial Analyst's time spent on the CDBG grant averages 10%. One timesheet is filled out and a monthly journal entry is created to record the portion of his/her time spent on CDBG functions (monthly and quarterly reporting, and voucher approval). Both the timesheet and journal entry are approved by his/her Director.

5. **Time and Effort Certification.** The City of Santa Fe produces a Time Certification Form for all employees who work on the CDBG Grant every July 1 and December 31 which is submitted to the Senior Housing Planner. If turnover occurs, a Time Certification Form will be submitted to the Senior Housing Planner before the turnover occurs. The CDBG Administrator maintains a Time and Effort Certification Procedures File that includes a bi-annual time certification form for the three staff positions described above that are paid in full, or in part, with Federal funds. This form is signed and certified by the Program Manager of the grant (CDBG Administrator/Administrator) and the approving official (supervisor) of the employee whose time is spent on that grant (see Appendix). These are after-the-fact time certifications completed in July and December of each year that certified the time spent for the prior six months and correspond to the bi-weekly copies of time sheets signed and certified by both the Employee and Supervisor for all three positions. For the CDBG program, all are on file with the Office of Affordable Housing. The Financial Analyst will prepare two separate time sheets to be signed by the Senior Financial Analyst.

6. **Program Income (PI) Reuse Plan.** The City of Santa Fe receives quarterly reports from sub-recipients detailing all funded activities and reporting on all accomplishments. This includes the detail on program income generated, for any applicable CDBG funded activities, including loans to individual homeowners administered by sub-recipient organizations for Down Payment Assistance (DPA), loans to homeowners administered by sub-recipient organizations for Home Improvement (HI); and small business economic development loans in repayment from the 2011 Santa Fe's Small Business Loan Fund (SFBLF). It is important to note that with the exception of occasional payments back to the SFBLF, program income is generated, tracked, and kept on hand by the sub-recipient and is not remitted back to the City. The City is still required to report via receipt, and draw-down via voucher, what the sub-recipient earns in IDIS, prior to the voucher expenditure of Entitlement funds.

Pursuant to the definition of program income located at 24 CFR 570.489, these activities include the following:

- Sale, lease, rental proceeds of property acquired with/improved by CDBG funds;
- Principal and interest payments on loans made from CDBG funds;
- Proceeds from sale of CDBG loans or other obligations;
- Interest earned on funds in a revolving loan fund account or on program income, pending reuse.

The program Income generated from these activities is revolved back to the sub-recipient's CDBG-funded program that it is under contract with the city to provide. Because of this, contracts are often extended at the end of a fiscal year (June 30) to enable the sub-recipient to fund additional home improvement or down payment assistance loans and spend down PI, enabling them to serve more clients beyond the original contract deliverable, as well as additional time to spend down Entitlement (EN) funds. As these project types are amongst the highest priorities for the City, this process occurs on an annual basis. Regulations require that the PI is recorded by receipt method in IDIS and drawn (spent) prior to EN. These earnings and expenditures are tracked on the CDBG Program Ledger spreadsheet which is an internal tool maintained by the CDBG Administrator and Financial Analyst. This tool also also tracks PI receipting and draw-down activity in IDIS along with EN drawdowns by voucher and receipt number. A sample ledger sheet is included at the end of the Policies and Procedures.

Program Income totals are reported by the applicable sub-recipients to the CDBG Administrator on a quarterly basis and subsequently recorded and drawn in HUD's Integrated Disbursement & Information System (IDIS). By the Fiscal and Program Year end of June 30, program income is verified and closed out, where applicable. Included in these reports are the number of loans funded and the dollar amount of the funding that occurred for the quarter. DPA and HI activities are receipted back to the IDIS Activity ID that generated the funding, except in the cases where program income is transferred between CDBG-eligible programs for which the sub-recipient is under CDBG contract to provide with the City. The exception to this rule is program income that is receipted in IDIS and is labeled as Revolving Loan (RL), which is only used for the program that generated it. Furthermore, IDIS does not permit draws for any other CDBG activity other than that which generated those recorded as the revolving loan type of program income.

Per HUD regulations, the PI is drawn first prior to EN funds when the City processes vouchers for reimbursement. To ensure the regulations are met, upon receipt, the PI is immediately drawn down and recorded to that activity, with the number of loans funded noted in the receipt function. As CDBG-funded client loans are paid off to the sub-recipient, principal and interest is collected and held by the sub-recipient, and reported back to the CDBG program. The PI generated by sub-recipients produces bank interest that is held in an interest bearing account, with total proceeds reported and remitted back to the City on an annual basis, and thus, reported back to the Federal Government (HUD) on an annual basis. The CDBG entitlement regulations at 24 CFR 570.504(b) stipulate that at the end of each program year, the City of Santa Fe may not

CDBG 2018 Policies and Procedures Additions and Edits: Reporting and Fiscal Management-Program Income

have PI on hand in an amount that is more than one-twelfth of the most recent grant amount. The Revolving Loan classification of program income generated is exempt from this requirement.

Homewise: As part of Homewise's CDBG Contracts with the City, they service and administer CDBG-funded loans. Additionally they maintain a separate bank account for CDBG funds, and track/report Program Income and bank interest earned in the CDBG Program Income report provided to the City by the 15th day after the end of each quarter (Oct.15, Jan. 15, April 15, July 15). PI is generated by deferred loan payoffs and payments of loan principal, interest and late fees paid from first time homebuyer CDBG recipients. **Deferred Loans:** The vast majority of CDBG loans are non-amortizing, 0% interest, deferred loans (often referred to as due upon sale or DUS). Deferred loans generate PI when the loan pays off, typically when the home is sold or when the home is vacated, rented or refinanced. **Amortizing Loans:** In the past, Homewise made amortizing loans as allowed with CDBG funds. Currently, 32 loans are in repayment totaling \$685,000 with interest rates ranging from 0-6%. When a client makes a payment on a CDBG amortizing loan, the payment is deposited in the CDBG bank account and recorded in the loan servicing and accounting systems. The payment is reflected in the loan servicing system, Servicing Director, in the client's CDBG loan account with amounts applied separately toward principal, interest, and late fees.

Loan payments are also reflected in their accounting system, MIP, in the CDBG HP (home purchase) or HI (home improvement) fund as cash received (PI) and the loan receivable is reduced by the amount of the payment applied to principal reduction. Amortizing loan payments are reflected in the CDBG PI Report corresponding to the loan purpose, Home Purchase or Home Improvement, in the month received in the three columns, "Principal", "Interest", and "Late Fees."

REPORTING & ADDITIONAL CHECKS AND BALANCES PROGRAM INCOME PROCEDURES

On a quarterly basis, subrecipients generating program income (PI) provide the CDBG Program Administrator with reports that show the program generated income (program receipts and proof of payments, such as canceled checks, or bank statements) and total loans provided (program draws). The quarterly reports breakdown the principal, interest fees and amount paid by program (Rehab #501, DPA #510, etc.) and in total. The reports also provide a work plan for the provision of the CDBG home purchase program which details the homebuyer deferred down payment assistance from program income and entitlement funding, how many of these loans are

CDBG 2018 Policies and Procedures Additions and Edits: Reporting and Fiscal Management-Program Income

closed (number and amount), how many loans were open and outstanding.

After receipt of the quarterly reports, the CDBG Program Administrator, with review by the Financial Analyst, will receipt and draw down on the Program Income based on the amounts shown on the quarterly report. The Financial Analyst will do a journal entry to record the program income and loan generated/expensed for that quarter. The program income is reimbursed directly to the subrecipient and therefore, no program income or expenses flow through the City's general ledger. However, once all of the program income generated is expensed the subrecipient may draw down on entitlement funding – this is the only expense that flows through the City's general ledger (subrecipient sends the City an invoice and the City will reimburse the subrecipient and thus receive reimbursement from HUD).

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The Financial Analyst and the CDBG Program Administrator work together to compile an annual budget for the upcoming fiscal year – the budget will include both a re-appropriation of the current grant award and next year's grant award. CDBG grants are awarded on a calendar basis while the City runs on a fiscal year July – June. Program Income will be reflected on a balance sheet as a receivable in the City's accounting system.

*Beginning 2019-20 CDBG program year, subrecipients generating PI, will be required to return 20% of the annual PI generated total via a check to accounts receivable in order to cover administrative expenses incurred by the City and not allowable through EN drawdowns.

- 7. Federal Financial Reports (FFR).** Quarterly Reports which track accomplishments and expenditures are due to the CDBG Administrator two to three weeks after the quarter ends. Once Program Income and draws, whether on PI or EN funds, are completed for

CDBG 2018 Policies and Procedures Additions and Edits: Reporting and Fiscal Management-Program Income

the quarter by the CDBG Administrator upon receipt of sub-recipient quarterly reports and recorded in IDIS, the CDBG Financial Analyst then prepares the Federal Financial Report, which is remitted to HUD no later than 30 days after the quarter ends. This submittal to HUD also includes sub-recipient Quarterly Report support documentation describing where program income was earned and how it was deployed for the quarter. These reports also provide support to the activities represented on the IDIS PR-09 Program Income and Revolving Loan Report.

1. Section 3 Requirements

Overview

The City of Santa Fe, through the Office of Affordable Housing (OAH)'s CDBG entitlement grant will provide opportunities to low- and very low-income persons residing in the City of Santa Fe (as defined in § 135.5 of 24 CFR Part 135) and to area businesses meeting the definition of a "Section 3 Business Concern" (as defined by 24 CFR Part 135) on all Section 3 Covered Projects.

According to the Section 3 Regulations, located at 24 CFR Part 135, Section 3 Covered Assistance Recipients are required to provide employment, training and contracting opportunities to Section 3 Residents or Section 3 Business Concerns. However, the Section 3 Requirements are not imposed upon a recipient that does not engage in the hiring or training of persons, but instead awards contracts to Developers and General Contractors that hire and train in connection with Section 3 Covered Projects. According to the Section 3 Regulations, these recipients may comply with Section 3 by ensuring that the Developers, General Contractors and Subcontractors receiving Section 3 Covered Assistance comply with the Section 3 Act.

What is Section 3?

Section 3 represents the policy of the U.S. Department of Housing and Urban Development (HUD) for providing preference for new employment, training, and contracting opportunities created from the usage of covered funds to low- and very low-income residents and Section 3 businesses of the community where certain funds are spent (regardless of race or gender), and the businesses that substantially employ these persons.

Section 3 obligations apply to all situations as listed below:

The Section 3 regulations apply to recipients of housing and community development assistance in excess of \$200,000 expended for:

- (1) Housing rehabilitation (including reduction and abatement of lead-based paint hazards);
- (2) Housing construction; or
- (3) Other public construction projects.

Section 3 requirements apply to contractors and subcontractors performing work when the CDBG award is > \$200,000 and the contract/subcontract is > \$100,000.

Section 3 Residents

Section 3 residents are:

- Residents of Public and Indian Housing; or
- Individuals that reside in the Albuquerque City limits and whose income does not exceed the local income criteria of low to moderate income; or
- A homeless person residing in the project area; or
- A project area participant of the Youthbuild program.

Section 3 Business Concerns

Section 3 business concerns are one of the following:

- Businesses that are 51 percent or more owned by Section 3 residents;
- Businesses whose permanent, full time employees include persons, at least 30 percent of whom are currently Section 3 residents, or within three years of the date of first employment with the firm were Section 3 residents; or
- Businesses that provide evidence of a commitment to subcontract in excess of 25 percent of the dollar amount of all subcontractors to be awarded to businesses that meet the qualifications described above.

Section 3 Employment and Contracting Goals

DFCS's Employment and Contracting Goals are as follows:

- 30 percent of the aggregate number of new hires under covered contracts shall be Section 3 residents;
- 10 percent of the total dollar amount of all covered construction contracts shall be awarded to Section 3 business concerns; and
- 3 percent of the total dollar amount of all covered non-construction contracts shall be awarded to Section 3 business concerns.

The regulation does **not** require the recipient to hire additional staff. If the recipient's current work force is sufficient to complete the project including office and field staff, then the recipient is still in compliance with Section 3. Likewise, if the project is a labor only contract and procurement is not required then the recipient is not required to meet the "contracting with Section 3 business concern" requirement.

The Office of Affordable Housing will require that any recipient including City Departments, Sub-Recipients and Developers receiving in excess of \$200,000 for a Section 3 covered project notify The Santa Fe Civic Housing Authority and the Santa Fe County Housing Authority of employment and training opportunities, post employment or training opportunities at job site, promote the Section 3 Business Registry and encourage eligible contractors and subcontractors to register with the Section 3 Business Registry and comply with Section 3 requirements within its own operation.

The Recipient Responsibilities include:

- Implementing procedures to notify Section 3 residents and business concerns about training, employment, and contracting opportunities;
- Notifying potential contractors working on Section 3 covered projects of their responsibilities;
- Incorporating the Section 3 Clause into all covered solicitations and contracts;

- Facilitating the training and employment of Section 3 residents and the award of contracts to Section 3 business concerns;
- Assisting and actively cooperating with the City to make contractors and subcontractors comply when subcontractors receive in excess of \$100,000;
- Documenting actions taken to comply with Section 3; and
- Submitting Section 3 Reports (HUD Form 60002).

Reporting Requirements

OAH will require contractors under covered contracts to follow the below reporting guidelines:

- The HUD Form 60002 reports are due annually by July 15th.
- The report period is from July 1st through June 30th.
- A HUD Form 60002 is also due at project closeout.
- If the report is submitted at closeout, the report period will be from the previous report to the closeout date. The contracts reported are for the report period only and are **not** cumulative.

OAH staff will evaluate procedures, documentation and monitor Section 3 Compliance during the course of construction, when reports are submitted and at annual monitoring if applicable. Recipients that fail to meet the minimum numerical goals above will be required to demonstrate why it was not possible to do so. Such justifications should describe the efforts that were taken, barriers encountered, and other relevant information that will enable the OAH staff to make a compliance determination. Additionally, HUD officials maintain the right to conduct Section 3 compliance reviews, which may involve any and all Section 3 Projects. Where noncompliance is found, OAH will notify the recipient or contractor of the deficiency and recommendations for corrective actions. A finding of noncompliance by OAH or HUD may result in sanctions based on the program from which the Section 3 covered assistance was funded.

Annual Report

Annually, OAH staff will compile the HUD Form 60002 reports and enter and submit them into the SPEARS system. The SPEARS system is a web-based system that allows direct recipients of HUD funding that are covered by Section 3 to submit Form HUD 60002.

OAH will receive and maintain records to document compliance with the Section 3 Program objectives. At a minimum, records will include specific information and documentation to demonstrate whether the numerical goals were met.

CONTROLLING

1. **Monitoring.** CDBG Funded programs are monitored by staff including desk reviews, weekly correspondence with sub-recipients, and, annual site visits to verify compliance with the objectives of the activity.

TIMELINE AND SCHEDULING

On site monitoring of programs chosen for monitoring (based upon performance concerns in timely reporting and/or other areas of concern demonstrated throughout the program year) occurs after the program year end, the timing of which is arranged by staff with each subrecipient. Visit durations vary based upon the complexity of the program to be monitored. Response letters to subrecipients on findings determinations and corrective actions if necessary, will be emailed to each subrecipient within 45 days of the monitoring review. The general guideline timeline for monitoring completion is by the end of September each calendar year with all response letters completed by December 31st of each calendar year after the end of the program year.

AREAS OF REVIEW

Staff requests information on the status and effectiveness of the program to meet program goals on an ongoing basis through regular weekly contact with sub-recipients and the collection of / data input from Quarterly Reports due two weeks after the end of the previous quarter. The City of Santa Fe utilizes HUD's "Guidebook for Grantee's on Subrecipient Oversight, Managing CDBG", and "Ensuring CDBG Subrecipient Timeliness Guidelines" as well as portions of the CPD Monitoring Handbook (6509.2) to ensure compliance. For 2018, monitoring forms are customized for relevance to the respective project work scopes and are based on those within the CPD Monitoring Handbook.

At the end of each program year, staff completes a detailed evaluation of the sub-recipients' performance to include recipient and activity eligibility, record keeping, and financial processes. Based upon information from the quarterly and final reports, staff also evaluates on a continual basis, whether the outcome goals and needs of low income people are being met. These findings are reported in the CAPER at year end. The Consolidated Plan provides a framework for setting program goals, monitoring performance and evaluating the City's progress in meeting community development needs.

PROCESS

During the year-end monitoring review, the CDBG Administrator meets with staff of each sub-recipient and reviews randomly selected files for accuracy and completion. Items reviewed include: income verification of the sub-recipient's clients, inspection or documentation of physical work such as a home improvement project or a facility improvement that was completed as outlined in the professional services agreement between the City and the sub-recipient, Any deficiencies are noted in a follow up letter

to the sub-recipient and a feasible timeline is provided for corrective actions and remedies. Subrecipients found to be out of compliance will be given ample opportunity to rectify findings for a minimum of thirty (30) days and maximum of one year. Subrecipients failing to meet required, requested corrections, will be notified of request to return funds within thirty (30) days.

2. Conflicts of Interest

Just as the City is obligated to bring attention to real-or perceived conflicts of interest in its Code of Ethics, so is the subrecipient contractor that is managed by the City. Section XV of the CDBG Contract between the City and subrecipients states that they agree to abide by the provision of 24 CFR(Code of Federal Regulations) 84.42 and 570.611, which includes, but is not limited to, the following:

- A. Interest of Members of City: No officer, employee, or agent of the City who exercises any functions or responsibilities in connection with the planning and carrying out any of the provisions of this Contract, or any other person who exercises any functions or responsibilities in connection with any of the provisions of the Contract, shall have any personal financial interest, direct or indirect, in this Contract; and the Subrecipient shall take appropriate steps to assure compliance.

B. Interest of Subrecipient and Employees: The Subrecipient shall not allow any person who presently exercises any functions or responsibilities in connection with the provisions of this Contract, to have personal financial interests, direct or indirect, in this Contract. The Subrecipient further shall not allow in the performance of this Contract any person having any conflicting interest to be employed by the Subrecipient. Any interest on the part of the Subrecipient or its employees must be disclosed to the City. Provided, however, that this paragraph shall be interpreted in such a manner so as not to unreasonably impede the requirement that maximum opportunity for employment of area residents and resident participation shall be of primary concern to the Subrecipient.

Subrecipients shall retain all supporting documentation to the CDBG funded project, from the pre-application/RFP phase, through the closeout of the project at the end of the program year. The subrecipient is required to disclose requests for federal funding to its board, including but not limited to CDBG. Should the subrecipient discover what is believed to be a real or perceived conflict, they are instructed to notify the CDBG Administrator immediately, and ideally prior to a request to disburse funds to the subrecipient as reimbursement for services rendered under the CDBG Contract. If it shall appear that a board member or staff member of the subrecipient organization stands to financially benefit from a CDBG-funded product or service, immediate notification to the CDBG Administrator is required. The administrator will request the following supporting documentation:

- Board minutes pertaining to the topic discussed for funding
- Written disclosure of the conflict on the sub-recipient's letterhead including an explanation of the perceived conflict, the events that brought the perceived conflict to light. This may include an explanation of how the perceived conflict could not be avoided.
- Other supporting documentation (invoices, private donor investments)