

Financial Management Policy

Hurricane Ian CDBG-DR

Program Manual Revision History

Version	Date	Revision Description
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1 Purpose

Pursuant to Public Law 117–328 allocations and 88 FR 32046 requirements, Lee County is required to certify and document its financial management systems and internal control framework that reasonably documents the eligible use for CDBG-DR funds and minimizes risk of noncompliance by providing:

- 1) proficient financial management and accounting system documentation and controls,
- 2) full and open competitive compliant procurement,
- 3) prevention of duplication of benefits,
- 4) timely and compliant use and tracking of expenditures for approved projects,
- 5) financial and compliance reporting, and
- 6) mean for detection and prevention of fraud, waste, and abuse.

Lee County, as the CDBG-DR funds grantee, and the County's subrecipients must continuously demonstrate conformity to sufficient financial management and internal control requirements specified in CDBG-DR regulations, including, but not limited to 24 CFR 570 and 2 CFR 200.

These financial management policies and procedures outline the financial management systems and internal control framework that enables compliant implementation, accountability, and transparency related to Federal, State, and Local requirements of CDBG-DR funds. These policies and procedures address:

- Roles, Responsibilities, and General Requirements,
- Internal Controls, Cost Principles, and Cost Allocation,
- Accounting Systems and Records,
- Budget, Cash Management,
- Program Income,
- Real Property, Supplies and Equipment,
- Audits,
- Reporting, and
- Related Topics.

1.1 Responsible Positions, Roles, and Responsibilities

To provide timely and accurate financial information and ensure compliance with applicable regulations and accounting standards, Lee County's Office of Strategic Resources and Government Affairs has formulated policies and procedures with defined roles and responsibilities.

1.1.1 Office of Strategic Resources and Government Affairs

Lee County's Office of Strategic Resources and Government Affairs (SRGA), under the Board of County Commissioners, is the lead agency responsible for administering the CDBG-DR funds allocated to Lee County. SRGA works to improve Lee County's competitive position to secure and manage grant funds and to advance legislative initiatives. The Office is led by Assistant County Manager, Glen Salyer, who reports directly to the County Manager. Lee County's Office of Strategic Resources and Government Affairs (SRGA) is responsible for ensuring compliance with HUD CDBG-DR funding.

1.1.2 Office of Management and Budget (OMB) and Fiscal Pool

The Office of Management and Budget and the Fiscal Pool will be primarily responsible for managing the CDBG-DR grant-related fiscal responsibilities for Strategic Resources and Government Affairs. These responsibilities align with the core responsibilities of OMB and include, but are not limited to, the following functions:

- Assisting with the preparation and administration of the annual operating and five-year capital improvement projects budgets.
- Conducting ongoing and special budgetary and operational reviews.
- Recommending improvements to reduce operating costs, enhance revenues, and improve operational effectiveness and efficiencies.
- Overseeing the development and compliance of grant funding.
- Administering debt finance transactions and programs.
- Managing the County's self-funded property, liability, and workers compensation program under the Office of Risk Management.

The specific CDBG-DR responsibilities will be outlined in the effected relevant financial management procedures. These responsibilities may include:

- Providing budgetary account codes management,
- Maintaining central financial inventory for grant funds,
- Processing invoices for payment,
- Cash management and check deposits,
- Requisitioning purchase orders for goods and services,

- Maintaining records for fixed asset inventory,
- Financial reporting to granting agencies,
- Monitoring department financial activity for grant compliance,
- Coordinate preparation for the annual federal and state single audits,
- Providing on-going budget analysis and guidance, and
- Providing training and guidance to department staff on both Lee County and department policies and procedures as related to the above activities.

1.1.3 Lee County Clerk of Courts Finance Division

The Clerk of Courts is an elected constitutional officer, separate from the Board of County Commissioners. The Clerk of Courts serves as the accountant, treasurer, and internal auditor for the Board. Functions performed by the Clerk's Finance Division on behalf of the Board include, but are not limited to:

- Maintaining records of financial transactions.
- Receiving and depositing revenues.
- Issuing checks for both vendors and employees.
- Investing surplus revenue.
- Monitoring all payment transactions for both accuracy and adherence to relevant policies, procedures, codes, ordinances, and statutes.
- Maintaining and monitoring information in a database for the Board's fixed asset inventory.
- Maintaining and monitoring financial information in relation to the Board's Federal and State grants and assisting with preparation for the annual single audit for these grants.

CDBG-DR specific responsibilities of the Clerk include intake and investigation of fraud, waste, and abuse allegations and internal auditing of financial management and internal controls.

The Positions, Roles, and Responsibilities Table below lists the positions and entities, and the roles and responsibilities required to maintain the financial management system and internal controls related to the use of CDBG-DR funds.

Table 1: Positions, Roles, and Responsibilities Table

Position/Entity	Role	Processes
Assistant County Manager	Program Manager	Payment Review and Approval
Deputy SRGA Manager	Program Manager	Payment Review and Approval
Office of Management and Budget and the Fiscal Pool	Financial Management	Setup and maintain financial management systems, payment request documentation review and tracking, reconciliation of systems of record, DRGR financial reporting, HUD payment drawdown requests, maintenance of financial records, management and recording of program income management, asset inventory management, and financial risk monitoring.
Subrecipients	Financial Management	Maintain financial management system, Procurement, expense tracking payment requests, reconciliation of systems of record, DRGR financial reporting, maintenance and retention of financial records, recording and processing program income, and asset inventory management.
Lee Clerk	Fraud, Waste, and Abuse	Intake and investigation of alleged FWA.
Lee Clerk	Internal Audit	Internal audit of financial management and controls.
Selected Vendor	Single Audit	Audit by independent vendor in compliance with Single Audit requirements.
All SRGA staff	Grantor Audit	Support during OIG and HUD audits.

Additional Forms

File Name	Lee County CDBG-DR Implementation Plan
File Location/Link	S:\SRGA\CDBG-DR\Implementation Plan

Contact

Lee County's Office of Strategic Resources and Government Affairs (SRGA) is responsible for ensuring compliance with HUD CDBG-DR funding. To connect with SRGA regarding these efforts, please contact:

Email: Recovery@leegov.com

Phone: 239-533-2315

Source Document

File Name	LeeCo_CDBG-DR SOP Positions Responsible for Financial Management
File Location/Link	S:\SRGA\Admin\Operations\SOPs\CDBG-DR\Capacity and Performance

1.2 Program Allocations

The U.S. Department of Housing and Urban Development (HUD), through the Office of Disaster Recovery (ODR) within the Office of Community Planning and Development, awarded Lee County \$1,107,881,000 to fund long-term recovery efforts following Hurricane Ian (FEMA – 4673 – DR) . Community Development Block Grant – Disaster Recovery (CDBG-DR) funding is appropriated and allocated to address unmet needs after all other assistance has been exhausted. The associated Lee County Action Plan details how the County will use the funds to address remaining unmet needs in Lee County.

To meet disaster recovery needs, the statutes making CDBG-DR funds available have imposed requirements and authorized HUD to modify the rules that apply to the annual CDBG program to enhance flexibility and to facilitate a quicker recovery. See the Federal Register, 88 FR 32046 (May 18, 2023) for requirement details.
<https://www.govinfo.gov/content/pkg/FR-2023-05-18/pdf/2023-10598.pdf>.

This allocation was made available through PL 117-328: Consolidated Appropriations Act, 2023.

Lee County's CDBG-DR Action Plan describes the analysis of the collective local impact of Hurricane Ian (DR 4673), the remaining unmet needs, and the County's plan for distribution of funds to the households and areas of the County most impacted by the storm. Lee County is committed to directing CDBG-DR funds to benefit low- and moderate-income households and areas in accordance with Section 103 of the Housing and Community Development Act. To ensure that projects are deployed in a timely manner and to streamline the recovery process, HUD provided multiple waivers and flexibilities in 88 FR 32046. Lee County will utilize these waivers and flexibilities as much as possible to ensure quick deployment of funds and a speedy recovery for the community.

Project allocations by category — as shown in the Table of Unmet Needs and Program Allocation — in the current HUD-approved Action Plan are based on the most complete unmet needs data available to the County. As programs are implemented, and additional needs are presented, the County anticipates future adjustments to the Action Plan. Despite future adjustments, the percentage values for the categories below were set by HUD and may not be adjusted or exceeded.

- 15% for Public Services
- 15% for Planning
- 5% for Administration

To develop the disaster recovery Action Plan, Lee County consulted with disaster-affected citizens, stakeholders, local governments, public housing authorities, and other affected parties to substantiate the disaster impacts identified in the plan and to ensure the planning process was comprehensive and inclusive. Public input was gathered by the County and advisory groups through town hall meetings, stakeholder consultations, public meetings, and online public comment and was considered during the development of the Action Plan and allocation of program funds.

Lee County completed a disaster impact and unmet needs assessment to identify the impacts, long-term needs, and priorities for the more than \$1.1 billion Community Development Block Grant – Disaster Recovery (CDBG-DR) funding allocated due to the 2022 Hurricane Ian event. The assessment identified more than \$8 billion in unmet housing, infrastructure, and economic revitalization needs. Housing and infrastructure comprised more than 94 percent of the overall needs.

Table 2: Table of Unmet Needs and Program Allocation

Category	Remaining Unmet Need	% of Unmet Need
Housing	\$4,598,352,445	56.92%
Infrastructure	\$3,040,625,610	37.63%
Economic Development	\$440,320,907	5.45%
TOTAL UNMET NEED	\$8,079,298,962	100.00%
Category	Program Allocation Amount	% of Program Allocation
Housing	\$629,470,732	56.82%
Economic Revitalization	\$0	0%
Infrastructure	\$238,625,610	21.53%
Mitigation	\$144,506,000	13.04%
Planning	\$25,000,000	2.26%
Public Services	\$15,000,000	1.35%
Admin	\$55,394,000	5.00%

TOTAL PROGRAM ALLOCATION	\$1,107,881,000	100.00%
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Source: Unmet needs data was compiled from a variety of sources, including, but not limited to the following: FEMA, HUD, Small Business Administration (SBA), National Flood Insurance Program (NFIP), Lee County Housing Authority, Housing Authority of the City of Fort Myers, Lee County Property Appraiser, Florida Division of Emergency Management (FDEM), FEMA Public Assistance (PA), FEMA Hazard Mitigation Grant Program (HMGP), Federal Highway Administration (FHWA), Lee County Recovery Task Force (RTF), U.S. Census Bureau (Decennial Census and American Community Survey), The Vulnerability Mapping Analysis Platform (VMAP) Social Vulnerability Index (SoVI), Lee County Homeless Continuum of Care, Lee County's Hazard Identification and Risk Assessment (HIRA) & Joint Local Mitigation Strategy (LMS) Plan (Lee County Public Safety).

1.3 Financial Management – General Requirements

Financial management related to CDBG-DR funds is intended to enable compliant, effective, efficient, and transparent usage and reporting of funds. The County and its subrecipients have adopted financial management policies and procedures to guide the incorporation of cost principles, internal controls, generally accepted accounting principles, compliant record keeping, and reporting as prescribed by 2 CFR Part 200 Subpart E and 2 CFR 200.302. The County and its subrecipients' accounting policies and procedures will also define the controls and accountability over all funds, property, and other assets and ensure CDBG-DR funds are used solely for the authorized purposes required by 2 CFR 200.302(b)(4). Per 2 CFR 200.400(d), the policies and procedures will also sufficiently define the standards for recording the accumulation of costs to document charges to the CDBG-DR award.

The implementation of these general requirements and other guiding regulations establishes a financial management system with the following objectives:

- Clear Action Plan aligned spending plans, compliant procurement processes, and adequate accounting systems to capture actual expenditure, and reporting mechanism to enable periodic and frequent analysis of finances by program, activities, and objectives.
- Transparency and clear task ownership and accountability at all levels of operation to ensure compliant financial decisions.
- Assurance that costs are reasonable, necessary, allowable, and appropriately allocated.

2 Internal Controls

The County and its subrecipients will document and incorporate into their financial management system internal controls as required by 2 CFR 200.303. The controls will include processes, procedures, and technical safeguards effected by the Board, senior leadership, and other personnel to provide reasonable assurance regarding the achievement of the objectives related to operations reporting and compliance. The internal control must conform to the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and will:

- (a) Provide reasonable assurance that the County and its subrecipients are managing the Federal award in compliance with Federal, State, and local statutes, regulations and the terms and conditions of the Federal award.
- (b) Comply with “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as shown in the COSO framework principles table below.
- (c) Provide a means to evaluate and monitor the County’s and its subrecipients’ compliance with statutes, regulations and the terms and conditions of Federal awards, including detection and prompt action against fraud, waste, and abuse.
- (d) Define the prompt actions to be taken when instances of noncompliance are identified (including noncompliance identified in audit findings).
- (e) Demonstrate reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, state, local, and tribal laws regarding privacy and responsibility over confidentiality.

The COSO framework for internal controls has five components—the control environment, risk assessment, control activities, information and communication, and monitoring. The following results from adequately implemented internal controls:

- Fund oversight to ensure the appropriate use of funds.
- Separation of duties including authorization, reviews, payment management, reporting, and monitoring. No single person can have the authority to authorize a transaction, execute a transaction, record a transaction, and have custody of any resulting assets. Internal controls require that multiple people with different roles review every financial transaction. Report and entry cross-checks are conducted to ensure budgets, costs, records, and reports are reconciled.
- Risk assessments, compliance reviews, and monitoring are used to provide reasonable assurances the CDBG-DR award is managed in compliance with Federal statutes, regulations, and the terms and conditions of the CDBG-DR award.

2.1 COSO Framework-Components and Principles

The following COSO components and principles are integral to Lee County's and its subrecipients' financial management processes and internal controls. The County promotes operationalizing these internal controls for CDBG-DR through documented procedures, activities, tools, and techniques identified in the Internal Control Crosswalk or similar control management system. Furthermore, to clearly demonstrate adherence to COSO principles, internal controls will be identified in the financial management procedures using document tags that indicate COSO principles (e.g., IC-1,6,10).

Table 3: COSO Principles

Internal Control Component	Principles
Control environment	1. Demonstrates commitment to integrity and values 2. Demonstrates independence and exercises oversight responsibility 3. Establishes structure, authority, and responsibility 4. Demonstrates commitment to attracting, developing, and retaining competent staff 5. Enforces accountability for internal control responsibilities
Risk assessment	6. Specifies suitable, specific objectives 7. Identifies and analyzes risks 8. Assesses fraud risk 9. Identifies and analyzes significant changes
Control activities	10. Selects and develops control activities that help mitigate risks 11. Selects and develops general controls over technology 12. Bases controls on thorough policies and procedures
Information and communication	13. Uses relevant, high-quality information 14. Communicates internally to support controls 15. Communicates externally
Monitoring	16. Conducts ongoing and/or separate evaluations 17. Evaluates and communicates deficiencies

3 Cost Principles

The County and its subrecipients are responsible for compliance and ensuring the adherence to 2 CFR 200.400 Cost Principles, which assumes:

- a. responsibility for the efficient and effective administration of CDBG-DR award through sound management practices,
- b. responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award,
- c. recognition of its own unique combination of staff, facilities, and experience, and will employ sound organization and management techniques necessary to administer the award properly and efficiently,
- d. cost principles are incorporated into existing internal accounting policies and practices, including accounting wherein the accumulation and documentation of costs is required,
- e. responsiveness to HUD's (and the County's) approved indirect costing allowance as a reasonable and equitable treatment of facilities and administrative costs, and
- f. earnings and profit resulting from Federal financial assistance may not be kept, unless explicitly authorized by the terms and conditions of the Federal award and subrecipient agreements. See also § 200.307.

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards in subpart E of 2 CFR part 200 (the Cost Principles) applicable to CDBG-DR grantees and their subrecipients require that costs are necessary and reasonable. (Also see 24 CFR 570.502). 2 CFR 200.402 defines the total cost of a Federal award as the sum of the allowable direct and allocable indirect costs less any applicable credits. Therefore, direct and indirect cost classifications will guide the formation of the program's estimated budgets and the assignment of program expenditures to deliver program activities. Where conflicts occur between the definitions in 2 CFR 200 and 24 CFR 570, the definitions at 24 CFR 570 shall govern. See 2 CFR 200.101.

3.1 Classification of Direct and Indirect Costs

The County and its subrecipients will treat each cost item for the same purpose consistently in like circumstances, either as a direct or an indirect (Facilities & Administration) cost to avoid possible double charging federal awards per 2 CFR 200.412. Direct Cost classification will be guided by 2 CFR 200.413 and indirect costs by 2 CFR 200.414. As necessary, per 2 CFR 200.416, agency cost allocation plans will inform and provide backup documentation for central service costs. Subrecipients must provide their bases for accounting and sufficient detail to understand how they formulated their estimated project budgets and assign a cost to accounting categories.

3.1.1 Direct Costs Definition and Determination

Direct costs are those that can be identified specifically with a particular final cost objective, such as a Federal award, and that can be directly assigned to activities with relative ease and with a high degree of accuracy. Per 2 CFR 200.403(a), costs incurred for the same purpose in similar circumstances must be treated consistently as direct or indirect costs. See also 200.405. Direct costs can be:

- a. Exclusively associated with a particular good or service and can be classified to a final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. See 2 CFR 200.413 and 200.405.
- b. Identified with the Federal award rather than the nature of the goods and services involved is the determining factor such as extraordinary utility consumption, the cost of materials supplied from stock or services rendered by specialized facilities, program evaluation costs, or other institutional service operations. 2 CFR 200.413(b)
- c. Identified with activities performed by the non-Federal entity primarily as a service to members, clients, or the public when significant and necessary to the non-Federal entity's mission. 2 CFR 200.413(f)

The typical direct budget categories will include, but are not limited to:

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

3.1.2 In-direct Costs Definition and Determination

Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. Uniform Guidance, Appendix VII to Part 200 requires that governmental entities support indirect costs allocation with a cost allocation plan or an indirect cost proposal prepared in accordance with the three standard methodologies. (See OMB Circular A87 and A122) Indirect costs should be allocated in a manner that will result in the grant program bearing its fair share of total indirect costs. A central service cost allocation plan is required if the local government has indirect costs resulting from centralized

services that will be charged to federal awards. A central service cost allocation plan, for the purposes of local governments, refers to a description of a process whereby services provided on a centralized basis (e.g., motor pools, computer centers, purchasing and accounting services) can be identified and assigned to benefited departments/agencies (e.g., the department/agency administering the CDBG-DR program) on a reasonable and consistent basis.

An indirect cost proposal is required if the subrecipient has indirect costs resulting from centralized services that will be charged to federal awards and other indirect costs originating in various departments/agencies carrying out federal awards. An indirect cost proposal is the documentation prepared by a subrecipient to substantiate its request for the establishment of an indirect cost rate. This rate, expressed in percentage terms, is applied to direct costs to determine the amount of reimbursement a grantee can obtain for indirect costs. For instructions on preparing indirect cost proposals, refer to Attachment E of OMB Circular A-87. For allocating indirect costs for nonprofits, OMB Circular A-122 prescribes three methods from which the nonprofit subrecipient may choose.

3.2 Budgets

The County and its subrecipients will use budgets as a project management and control tool. A budget is a financial plan listing by category the required goods, services, and resources and allocated funding and cost estimates needed to execute the project across a designated period. The project budget will include all necessary revenue, including CDBG-DR allocations and expense estimates, including all direct and indirect costs estimates. The Lee County CDBG-DR Action Plan presents the highest-level allocation budget. As programs are developed, budgets will be required for each layer, including programs, projects, activities, and subrecipient, as appropriate. The budget will use the prescribed form or format presented as a chart or table showing revenues and expenditures at the most practical level. Budget reports developed from ongoing accounting should be organized to allow comparisons by accounting categories of the estimated or proposed budget, actual expenditures, budget balance, and variances.

3.3 Financial Accounting

Lee County will account for CDBG-DR funds in accordance with generally accepted accounting principles and in compliance with Florida Statute 218.33. CDBG-DR funds, revenue, and expenses will be classified and allocated using County's standard method of fund-based accounting. All CDBG-DR financial information, including supporting procurement and other related documentation will be recorded as described in the Accounting and Bookkeeping Procedure. Financial records are subject to monitoring by the County, or its contractors and other concerned parties as described in the subrecipient's monitoring policies.

Subrecipients are required to provide a copy of their accounting policy and documentation describing their basis for accounting and their procedure for cost classification.

3.3.1 Expenditure Certifications

Per 2 CFR 200.415, the County's and its subrecipients requests for payment, reports, and financial records under the CDBG-DR funding agreements must include a certification, signed by an official who is authorized to legally bind the entity. The cost allocation plan or indirect cost rate proposal must be certified and comply with 2 CFR 200.415(b). As appropriate, non-profit organizations must certify that they did not meet the definition of a major nonprofit organization as defined in 200.414(a). Uniform Guidance General Provisions for Selected Items of Cost will be reference to guide considerations for selected items of cost.

Along with standard supporting documentation for expenditures, subrecipients may be required to follow policy and procedure guidance for certain expenses. The County and its subrecipients should refer to 2 CFR Part 200 Subpart E for General Provisions for Selected Items of Cost for further guidance regarding allowability of certain item involved in determining cost.

3.3.2 Accounting Funds and Cost Classification Structure

All CDBG-DR funded entities are required to document and make available their Accounting Funds and Cost Classification Structure. The County's CDBG-DR funds will be classified through assigned account strings as prescribed by Uniform Accounting System Manual for Florida Local Governments, 2022 Edition, as described below.

Grant Type: Grant type is represented by the first two digits of the account string that denotes whether it is a federal or a state grant.

Internal Assignment Number: The four numbers after the grant type are used for individual grant tracking internally.

Fund: The fund name is represented by the last five numbers of the account string.

Object Code: The object code or classification is represented by the middle six digits of the account string. The object code is made up of sub-object codes that may be used at the budgetary level. Object codes are defined in the Uniform Accounting System Manual for Florida Local Governments.

Subsidiary: The subsidiary is the final part of the account string and provides special use classification by the managing department or Office of Management and Budget. For CDBG-DR funds, the subsidiary will classify the programs, projects, and national

objectives. The Lee County CDBG-DR fund subsidiary will also be used to classify program, project, and activity in DRGR. The subsidiary is an alpha-numeric string, not greater than 8 characters.

The chart of accounts for CDBG-DR funds is indicated below.

Table 4: CDBG-DR Chart of Accounts

Expenditure Category	Description	Account String
Administration	Lee County Administration Costs	11137113301.5XXXXX.20.AD
Infrastructure	Critical Infrastructure	11137113301.5XXXXX.24.CI.L
Infrastructure	Critical Infrastructure	11137113301.5XXXXX.24.CI.U
Housing	Home Purchase Assistance	11137113301.5XXXXX.22.HPA.L
Housing	Home Purchase Assistance	11137113301.5XXXXX.22.HPA.U
Housing	Home Purchase Assistance - Activity Delivery	11137113301.5XXXXX.122.HPA.L
Housing	Home Purchase Assistance - Activity Delivery	11137113301.5XXXXX.122.HPA.U
Housing	Multifamily Housing Development	11137113301.5XXXXX.22.MFH.L
Housing	Multifamily Housing Development	11137113301.5XXXXX.22.MFH.U
Planning	Planning	11137113301.5XXXXX.21.P
Planning	Planning - Activity Delivery	11137113301.5XXXXX.121.P
Public Services	Public Services	11137113301.5XXXXX.23.PS.L
Public Services	Public Services	11137113301.5XXXXX.23.PS.U
Housing	Individual HRRE	11137113301.5XXXXX.22.R.L
Housing	Individual HRRE	11137113301.5XXXXX.22.R.U
Housing	Individual HRRE - Activity Delivery	11137113301.5XXXXX.122.R.L
Housing	Individual HRRE - Activity Delivery	11137113301.5XXXXX.122.R.U
Housing	Single Family Housing Development	11137113301.5XXXXX.22.SFH.L
Housing	Single Family Housing Development	11137113301.5XXXXX.22.SFH.U
Housing	Voluntary Residential Acquisition	11137113301.5XXXXX.22.VRA.L
Housing	Voluntary Residential Acquisition	11137113301.5XXXXX.22.VRA.U
Housing	Voluntary Residential Acquisition - Activity Delivery	11137113301.5XXXXX.122.VRA.L
Housing	Voluntary Residential Acquisition - Activity Delivery	11137113301.5XXXXX.122.VRA.U
Income	Program Income	11137113301.5XXXXX.99.REV

3.3.3 Allowability of Costs

The County and its subrecipients will evaluate the allowability of costs as guided by criteria outlined in 2 CFR 200.403, including ensuring that all costs:

- a. are necessary and reasonable for the performance of the Federal award and are allocable thereto under these principles;
- b. conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amounts of cost items;
- c. are consistent with policies and procedures that apply uniformly to both Federally financed and other activities of the non-Federal entity;
- d. are given consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost;
- e. are determined to be in accordance with generally accepted accounting principles (GAAP), except for state and local governments and Indian tribes only, as otherwise provided for in this part;
- f. are not included as a cost or used to meet cost-sharing or matching requirements of any other Federally financed program in either the current or a prior period. See also 2 CFR 200.306(b);
- g. are adequately documented. See also 2 CFR 200.300 through 200.309; and
- h. are incurred during the approved budget period. At its discretion, the Federal awarding agency is authorized to waive prior written approvals to carry forward unobligated balances to subsequent budget periods pursuant to 2 CFR 200.308(c)(3).

3.3.4 Reasonable Costs

The County and its subrecipients will evaluate the reasonableness of costs as guided by criteria outlined in 200.404, including:

- a. whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award;
- b. the restraints or requirements imposed by such factors as: sound business practices, arms-length bargaining, Federal, state, local, tribal, and other laws and regulations; and terms and conditions of the Federal award;
- c. market prices for comparable goods or services for the geographic area; and
- d. whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal government.
- e. Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.

To avoid subsequent disallowance or dispute based on unreasonableness or non-allocability, the County and its subrecipients may seek prior written approval or other technical assistance before special or unusual costs occur, as advised by 200.407.

3.3.5 Allocable Costs

The County and its subrecipients will evaluate the allocability of costs as guided by criteria outlined in 2 CFR 200.405. A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:

- (1) Is incurred specifically for the Federal award;
- (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
- (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.

All activities which benefit from the non-Federal entity's indirect cost will receive an appropriate allocation of indirect costs.

Any cost allocable to a particular Federal award under the principles provided for in this part may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons. However, this prohibition would not preclude the non-Federal entity from shifting costs that are allowable under two or more Federal awards in accordance with existing Federal statutes, regulations, or the terms and conditions of the Federal awards.

Direct cost allocation principles: If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis. Where the purchase of equipment or other capital asset is specifically authorized under a Federal award, the costs are assignable to the Federal award regardless of the use that may be made of the equipment or other capital asset involved when no longer needed for the purpose for which it was originally required. See also 2 CFR 200.310 through 200.316 and 200.439.

If the contract is subject to CAS, costs must be allocated to the contract pursuant to the Cost Accounting Standards. To the extent that CAS is applicable, the allocation

of costs in accordance with CAS takes precedence over the allocation provisions in this part.

3.3.6 Limitation on allowance of costs.

CDBG-DR funds are subject to statutory requirements that limit the allowability of costs. When the maximum amount allowable under a limitation is less than the total amount expended, the amount in excess of the allowance may not be charged to the Federal award. (2 CFR 200.408 Limitation on allowance of costs)

3.3.7 Collection of unallowable costs and improper payment.

Payments made for costs determined to be unallowable by either HUD or the County, for direct or indirect costs, must be refunded (including interest) to the Federal Government through the County in accordance with the County instructions unless Federal statute or regulation directs otherwise. See 2 CFR 200.410, 2 CFR 200.428, 2 CFR 200.300 through 200.309 in subpart D of 2.CFR 200.

4 Financial Management System Requirements

Per 2 CFR 200.302 Financial Management, the County and its subrecipients will use a financial management system that enables a system of record for documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and for tracking of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. The system will permit the accurate, complete, and timely disclosure of financial results in accordance with HUD reporting requirements or, for subrecipients, Lee County reporting requirements and will minimize the time elapsed between the transfer of funds from the U.S. Treasury and the disbursement of the funds by the grantee or subrecipient.

4.1 Accounting System General Capabilities

Per 2 CFR 200.302(b), the County and its subrecipients will utilize an accounting system with the following capabilities:

- a. Identify and separately maintain accounts for each Federal award, including the CDBG-DR award, received, and expended by unique identifiers (e.g., subrecipient agreement number and year) as required at 2 CFR 200.302 (b)(1).
- b. Provide accurate, current, and complete disclosure of the financial transactions of each CDBG-DR award in accordance with 2 CFR 200.327 Financial reporting and 2 CFR 200.328 Monitoring and reporting program performance.
- c. Enable the record keeping that adequately identifies the source and application of funds for federally funded activities. These records must contain information pertaining to Federal awards, authorizations, financial obligations, unobligated balances, assets, expenditures, income, and interest and be supported by source documentation.
- d. Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes. See 2 CFR 200.303.
- e. Allow for comparison of expenditures with budget amounts for each Federal award.
- f. Well-documented procedures to effectively implement the federal requirements of 200.305 and 2 CFR 200 Subpart E – Cost Principles.
- g. Comply with 2 CFR 200.333 Retention requirements for records, 200.334 Requests for transfer of records, 200.335 Methods for collection, transmission, and storage of information, 200.336 Access to records, and 200.337 Restrictions on public access to records.

4.2 Accounting System Specific Capabilities

Lee County and its subrecipients will use an accounting system that sufficiently identifies the source and application of CDBG-DR funds provided to them. The accounting system shall have the capacity to generate and manage the functions and capabilities below:

1. **Chart of Accounts** - this is a list of account names and the numbers assigned to each account name. The names describe the type of transactions that will be recorded in each account (e.g., an account titled “cash” denotes that only transactions affecting cash should be recorded in that account). The account number is required by most accounting software programs and is assigned to an account name to group similar types of accounts. A typical chart of accounts will generally include the following categories: assets, liabilities, net assets/fund balances, revenues, and expenses.
2. **Cash Receipts Journal** - a cash receipts journal document for chronological recording the receipt of funds, including when the funds are received, the amounts, and the sources.
3. **Cash Disbursements Journal** - a cash disbursement journal documents, in chronological order, when an expense was incurred, for what purpose, how much was paid, and to whom it was paid.
4. **Payroll Journal** - a payroll journal documents payroll and payroll-related benefit expenses on salaries and benefits, including distinguishing between categories for regulatory purposes.
5. **General Ledger** - a general ledger summarizes, in chronological order, the activity and financial status of an organization's accounts. Information is transferred to the general ledger after it is entered into the appropriate journal. Entries transferred to the general ledger should be cross-referenced to the applicable journal to permit the tracing of any financial transaction. All journal entries must be properly approved and supported by source documentation.

4.2.1 Documentation Management

The accounting system must manage documentation that demonstrates that CDBG-DR expenditures were incurred during the effective period of the agreement with HUD or, for subrecipients, with Lee County; paid out (or properly accrued); expended on eligible items; and approved by the appropriate official(s) within Lee County or the subrecipient.

Source documentation must explain the basis of the costs incurred and the actual expenditure dates. For example, source documentation for payroll would include employment letters, authorizations for rates of pay and benefits, and time and attendance records. Source documentation on supplies would include purchase orders or purchase requisition forms, invoices from vendors, canceled checks made to vendors, information on where the supplies are stored, and the purpose for which

they are being used. Lee County and its subrecipients of CDBG-DR funds shall ensure that their accounting records include reliable, up-to-date information on the sources and uses of CDBG-DR funds, including:

1. Amount of Federal funds received;
2. Current authorization of funds;
3. Obligations of funds;
4. Unobligated balances;
5. Assets and liabilities Program income; and
6. Actual expenditures broken down by the grant program, the year for which the funds are derived, and the activity for which the funds were used.

4.3 Accounting Records Management

To comply 24 CFR 570.506, 24 CFR 570.490, and 24 CFR 570.502 recordkeeping requirements, the County, through its contractors, will be responsible for the acquisition and maintenance of recordkeeping systems. The County and its subrecipients will process all CDBG-DR related financial records as described in the Financial Management Recordkeeping procedure. The financial recordkeeping procedure shall clearly define:

- how financial records will be organized, stored, retrieved, and reported,
- identify the person responsible for recordkeeping and reporting,
- the required records and formats.

Required financial records will include, but are not limited to:

- Chart of accounts,
- Accounting procedures,
- Accounting journals and ledgers,
- Source documentation (purchase orders, invoices, canceled checks),
- Procurement files (including bids, contracts, etc.),
- Real property inventory,
- Bank account records (including RLF records, if applicable),
- Draw down requests,
- Payroll records and reports,
- Financial reports,
- Audit files; and
- Relevant financial correspondence

Lee County's Office of Strategic Resources and Government Affairs (SRGA) will utilize several systems to track financial records related to CDBG-DR. These systems and the staff responsible for their oversight and management are detailed below.

4.3.1 Disaster Recovery Grant Reporting System (DRGR)

Lee County uses the DRGR System to access grant funds and report performance accomplishments for grant-funded activities. The DRGR System is used by HUD staff to review grant-funded activities, approve grant funds disbursement, prepare reports to Congress and other interested parties, and monitor program compliance. SRGA staff will complete and maintain all HUD required information reporting in the DRGR system.

Specific DRGR financial management roles and responsibilities by staff position are outlined below.

Position	DRGR User Role	User Responsibilities
Deputy Director	Grantee Admin + Submit Action Plan + Submit QPRs + Approve Drawdown + Submit Voucher Documents	User will serve as back-up for approval of drawdowns and submission of voucher documents.
Management Analyst	Grantee User + Approve Draw Downs + Submit Voucher Documents	User will serve as the primary approver of drawdowns and submission of voucher documents. User will receipt all Program Income in DRGR.
Performance Analyst	Grantee User + Request Drawdown + Request User Account	User will serve as back-up requestor of drawdowns. User will reconcile financial tracking systems with DRGR.
Fiscal Officers	Grantee User + Request Drawdown	Users will serve as primary requestor of drawdowns.

4.3.2 VistaTrak / Grant Trax

The VistaTrak system is used as the primary system of record for subrecipient management, including the submission of payment requests from subrecipients to Lee County. Subrecipients must provide all required supporting documentation with payment requests. Activity specific financial information, including encumbrances, payment requests, and payments will be retained in VistaTrak as part of the activity records.

Financial data generated with VistaTrak is aggregated with all program level data related to CDBG-DR in the Grant Trax system. Grant Trax provides a record of all account balances, encumbrances, spending rates, and spending against program caps and thresholds. Grant Trax aggregates financial and program data and produces reports for upload into DRGR.

4.3.3 Canopy

The Canopy system is used as the primary system of record for individual housing programs, including obligations, encumbrances, draw requests, and payments made for individual housing programs. The system will retain all required supporting documentation within individual activity files. Financial data generated within Canopy is aggregated with all program level data related to CDBG-DR in the Grant Trax system.

4.3.4 Smartsheet

Smartsheet serves as SRGA's internal tracking system for department expenditures. All invoices submitted for CDBG-DR related expenses are maintained within Smartsheet. The system also contains automated workflows that assist in routing documents through internal review and approval processes. This system also serves as a tool for reconciliation between DRGR, Grant Trax, and the Clerk's Financial System (JD Edwards EnterpriseOne).

4.3.5 JD Edwards EnterpriseOne

JD Edwards EnterpriseOne is the County's primary financial management system and is managed by the Clerk of Courts. The system is used to manage all accounts, budgets, purchase requests, and payments made by the County.

Subrecipients may use additional accounting record management systems for their specific record keeping needs. The use of these record management systems must supplement the County's required systems of record. For required financial recordkeeping documentation, the subrecipient must provide a clearly defined procedure for using their supplemental record management systems.

5 Record Retention, Storage, Transmission, and Access

The County and its subrecipients Financial Management systems will be sufficient to comply with

2 CFR 200.334 Retention requirements for records. See the Records Retention Policy for Details.

The County and its subrecipients Financial Management systems will comply with 200.336 Methods for collecting, transmitting, and storing information. When possible, the standard for record will be in open and machine-readable formats rather than in closed formats or on paper, in accordance with applicable legislative requirements. A machine-readable format is a format in a standard computer language (not English text) that can be read automatically by a web browser or computer system.

Per 200.337 and 200.338, the County and its subrecipients will grant appropriate access to Financial Records and related staff.

The County has the right to access all subrecipient financial records pertinent to the CDBG-DR award for monitoring and audit purposes.

6 Accounting Reporting

The County and its subrecipients will use DRGR and other standard report requirements as described in the financial reporting procedures. Financial Reporting is required for the following:

- Track expenditures each month;
- Monitor expenditures of subrecipients;
- Ensure timely expenditures of funds per budget and schedule;
- Account for and manage program income;
- Reprogram funds in a timely manner for activities that are stalled; and
- Monitor project expenditures to ensure spending of all CDBG–DR funds is within the grant agreement period.

7 Payments

Lee County will pay contractors, vendors, and subrecipients for eligible and allocable CDBG-DR related expenses per the Federal Payment Standards outlined at 2 CFR 200.305.

Lee County (and its subrecipients) must include accurate information in drawdown requests. Funds drawn down erroneously must be returned. (This includes funds drawn down under the cash advance method where the expenditure of funds is delayed.)

Disbursement of funds must occur in a timely manner as prescribed by the payment timeline. Written justification for payment not complying with the payment timelines will be required and maintained on file. If grant advances are placed in an interest-bearing account, interest income must be remitted to the U.S. Treasury. (However, interest amounts up to \$100 per year may be retained by Lee County for administrative expenses.)

7.1 Pre-Award Costs

Lee County is permitted to charge grants the pre-award and pre-application costs of homeowners, businesses, and other qualifying entities (the “applicants”) for eligible costs incurred in response to an eligible disaster. Lee County may charge administrative funds, activity delivery costs, planning costs, and costs associated with the rehabilitation, demolition, and reconstruction of single-family and nonresidential buildings, including commercial properties owned by private individuals and entities, incurred before the applicant applies for CDBG-DR assistance.

All projects receiving pre-award costs must demonstrate that eligibility and compliance with cross-cutting requirements (i.e., Davis Bacon, Civil Rights, Lead-Based Paint, URA, etc.) and requirements in the Consolidated Notice, including the requirement to complete an environmental review, are met before committing funds or beginning recovery activities. When a grantee cannot meet all requirements at 24 CFR part 58 and cannot demonstrate that no environmental harm was or will be committed, the pre-application costs cannot be reimbursed with CDBG-DR funds.

Appropriations Acts have generally provided funds for eligible CDBG-DR activities that are “necessary expenses” of relief and recovery from major disasters. Therefore, Lee County is required to ensure that all costs charged to a CDBG-DR grant are necessary expenses related to recovery. Response and recovery efforts begin on the date of a disaster, before CDBG-DR assistance becomes available.

Under certain conditions, Lee County may incur costs prior to the effective date of their CDBG-DR grant agreement with HUD. Lee County may then pay those costs (including reimbursing itself if it used its own funds to pay the costs) after the effective date of the grant agreement if it complies with the pre-award regulations at 24 CFR §570.200(h).

The effective date of the grant agreement is the full execution grant agreement date by HUD and Lee County.

The following conditions must apply to be eligible for payment:

- a. The costs and activities funded comply with the CDBG-DR regulations and the environmental review requirements;
- b. The activity for which payment is being made complies with the statutory and regulatory provisions in effect at the time the costs are paid for with CDBG-DR funds;
- c. CDBG-DR payment will be made during a time no longer than the next two program years following the effective date of the grant agreement or amendment in which the activity is first included;
- d. and the total amount of pre-award costs to be paid during the grant lifecycle is no more than 25 percent of grant amount or \$300,000, whichever is greater.

7.1.1 Reimbursement to Private Homeowners

Lee County will allow reimbursement via the CDBG-DR grant to make funds available for necessary recovery assistance for private homeowners who used their limited resources for short-term recovery-related costs after a disaster without assurance of receiving CDBG-DR assistance. The terms of this provision are time-limited to ensure that CDBG-DR funds are expended only for necessary recovery expenses. Individual Housing Program policies detail the policies and procedures for reimbursement.

7.2 Payment Methods

Lee County and its subrecipients must have documented procedures that minimize the time that elapses between receipt of CDBG-DR funds and the actual disbursement of those funds. This requirement is intended to curtail unnecessary drawdowns of CDBG-DR funds and minimize the cost of financing the CDBG-DR program by the Federal government. Three general methods are available to transfer CDBG-DR funds from the U.S. Treasury to Lee County (or from Lee County to a subrecipient).

7.2.1 Reimbursement Method

The reimbursement method involves a transfer of grant funds to Lee County (or subrecipient) based on the actual expenditures of the grantee prior to submitting the CDBG-DR voucher and receipt of reimbursement funds by Lee County or subrecipient. Most payments made for Lee County's CDBG-DR program will be made through this method. Subrecipients will be required to provide documentation of payments made to substantiate payment requests.

7.2.2 Cash Advance Method

The cash advance method involves the transfer of CDBG-DR funds to Lee County (or its subrecipient) to meet obligations before actual cash disbursements have been made. For this method, a subrecipient may make a written request to Lee County that includes a justification for the request and required amount for cash advance disbursements. Requests will be reviewed on a case-by-case basis to analyze the subrecipient's current financial statements and capacity, project status, and other factors that will affect the successful execution of the project or proposed activity.

7.2.3 Working Capital Method

The subrecipient is advanced cash to meet its estimated disbursements for an initial period. After the initial period, the subrecipient will receive cash on a reimbursement basis. This method is used when the subrecipient lacks sufficient working capital. Note, however, that this method cannot be used if the reason for using it is the unwillingness or inability of the grantee to provide timely advances to the subrecipient to meet the subrecipient's actual cash disbursement.

Lee County will not use the working capital method for CDBG-DR programs.

7.3 Lump-Sum Drawdowns

Lee County may draw down funds from HUD in a lump sum to establish funds in one or more private financial institutions to finance eligible activities. Funds may be used in conjunction with various financing techniques, including loans, interest subsidies, loan guarantees, loan reserves, or other uses approved by HUD in accordance with 24 CFR 570.513. The funds may not be used for grantmaking except when grants are made to leverage non-CDBG-DR funds.

Lump sum drawdowns are subject to the following limitations:

- Deposits to a fund cannot exceed the grant amount that Lee County reasonably expects will be required based on either the prior level of activity or staffing and management capacity during the period specified in the agreement to undertake the activities;
- No grant funds may be deposited under this section solely for investment, notwithstanding that the interest or other income is to be used for the activities; and
- Program administrative costs and the administrative costs of the financial institution may not be funded through lump sum draw down.

Lee County must execute a written agreement with one or more private financial institutions to operate the fund. The agreement must specify:

- The obligations and responsibilities of the parties;
- The terms and conditions on which CDBG-DR funds are to be deposited and used or returned;
- The anticipated level of activities by the financial institution;
- The rate of interest and other benefits to be provided by the financial institution in return for the lump sum deposit;
- The agreement must provide that the fund may only be used for authorized activities during a period of no more than two years; and
- Such other terms as necessary for compliance with the provisions of this section.

The lump sum deposit shall be made only after the agreement is fully executed. Upon execution of the agreement, a copy must be provided to the HUD office for its record and use in monitoring. Modifications made during the term of the agreement must also be provided to HUD. The CDBG regulations include time limits on the use of funds deposited:

- The use of funds for rehabilitation financing assistance must start (i.e., the first loan must be made, subsidized, or guaranteed) within 45 days of the deposit; and
- Substantial disbursements from the fund must occur within 180 days of the receipt of the deposit.

Deposited funds or program income derived from deposited funds may be used to subsidize or guarantee repayments of rehab loans made with non-CDBG funds, but the rehabilitation activity would be CDBG-DR-assisted and subject to the requirements applicable to the type of activity undertaken. (NOTE: The repayment of the non-CDBG-DR funds is not considered program income.) The private financial institution receiving the lump sum deposits must provide specific consideration to the grantee in exchange for such deposits. The minimum requirements for such benefits are as follows:

- Grantees shall require the financial institution to pay interest on the lump sum deposit;
The interest rate paid by the financial institution shall be no more than three hundred (300) basis points below the rate on one year Treasury obligations at constant maturity;
- When an agreement sets a fixed interest rate for the entire term of the agreement, the rate should be based on the rate at the time the agreement is executed;
- The agreement may provide for an interest rate that would fluctuate periodically during the term of the agreement, but at no time shall the rate be established at more than three hundred (300) basis points below the rate on one year Treasury obligations at constant maturity;
- In addition to the payment of interest, at least one of the following benefits must be provided by the financial institution:

- Leverage of the deposited funds so that the financial institution commits private funds for loans in the rehabilitation program in an amount substantially in excess of the amount of the lump sum deposit;
- Commitment of private funds by the financial institution for rehabilitation loans at below market interest rates, at higher than normal risk, or with longer than normal repayment periods; or
- Provision of administrative services in support of the rehabilitation program by the participating financial institution at no cost or at a lower cost than the actual cost.

Interest earned on lump sum deposits and payments on loans made from such deposits is considered program income. During the period of the agreement, program income must be used for rehabilitation activities in accordance with the requirements covering the rehabilitation fund. Grantees must provide the HUD field office with written notification of the amount of funds to be distributed to a private financial institution before the distribution occurs.

7.4 Improper Payments

This policy documents the process used by Lee County for determining cost allowability – both programmatic and financial - as well as plans for determining cost allocation. However, should costs be determined to be ineligible at any point after disbursement, Lee County reserves the right to recover any payment determined to be improper.

Improper payments mean any payment that:

- should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements,
- is made to an ineligible party,
- is made for an ineligible good or service,
- is duplicative,
- is for a good or service not received (except for such payments where authorized by law),
- does not account for credit for applicable discounts, or
- has insufficient or lack of documentation that prevents a reviewer from discerning whether a payment was proper. [2 CFR 200.53].

Lee County will attach documentation supporting the repayment requirement and provide appropriate cross-references in each case file when improper payments are required.

Improper payments paid to subrecipients must be repaid within 60 days of written notice of the repayment obligation.

8 Program Income

Lee County expects that certain CDBG-DR-funded projects will generate income. Any program income earned because of CDBG-DR-funded projects will be subject to the rules outlined in Federal Register Notice 88 FR 32046. In the Notice, HUD allows grantees to transfer program income to their annual CDBG entitlement grant or use it as CDBG-DR funds until grant closeout. If transferred to entitlement, any waivers and alternative requirements to the program income funds under the original grant conditions no longer apply, and the program income is subject to CDBG entitlement Program Income conditions. Any modifications to the use of program income will be presented as an amendment to this policy and the Action Plan following the Citizen Participation Plan (CPP) and applicable regulations of 24 CFR Part 570.

Per 24 CFR 570.503, each written agreement between Lee County and its subrecipients will specify that the subrecipient must report and remit program income to Lee County. Lee County will utilize program income in compliance with the requirements set forth at 24 CFR 570.504 and the applicable Federal Register Notice, 88 FR 32046.

Program income is defined by the Department of Housing and Urban Development (HUD) as any “gross income received by a state, a unit of general local government, or a subrecipient of the unit of general local government that was generated from the use of Community Development Block Grant funds, regardless of when the CDBG funds were appropriated and whether the activity has been closed out[.]” 24 CFR 570.489(e)(1).

When income is generated by an activity that is only partially assisted with CDBG–DR funds, the income shall be prorated to reflect the percentage of CDBG–DR funds used (e.g., a single loan supported by CDBG–DR funds and other funds, or a single parcel of land purchased with CDBG–DR funds and other funds). If CDBG funds are used with CDBG–DR funds on an activity, any income earned on the CDBG portion would not be subject to the waiver and alternative requirement in the Consolidated Notice.

Program income generated by CDBG-DR subrecipients must be remitted to Lee County in full. Subrecipients must consult with Lee County staff regarding any anticipated or received proceeds related to the Program, even though the income might not be classified as program income, or to prorate proceeds generated from an activity that is only partially assisted with CDBG-DR funds.

8.1 Proceeds that are Program Income

Typical sources of program income include, but are not limited to, the following:¹

- Proceeds from the disposition by sale or long-term lease of real property purchased or improved with grant funds;
- Proceeds from the disposition of equipment purchased with grant funds;
- Gross income from the use or rental of real or personal property acquired by the unit of general local government with grant funds, less costs incidental to the generation of the income;
- Gross income from the use or rental of real property owned by the unit of general local government that was constructed or improved with grant funds, less the costs incidental to the generation of the income;
- Payments of principal and interest on loans made using CDBG-DR funds;
- Proceeds from the sale of loans or obligations secured by loans made with CDBG-DR funds;
- Interest earned on program income pending disposition of the income, including interest earned on funds held in a revolving fund account;
- Funds collected through special assessments made against nonresidential properties and properties owned and occupied by non-LMI households, where the special assessments are used to recover all or part of the CDBG-DR portion of a public improvement; and
- Gross income paid to a state, local government, or subrecipient thereof, from the ownership interest in a for-profit entity in which the income is in return for the provision of CDBG-DR assistance.

Program income may be received before or after closeout of the grant activity that generated the program income. Any amount that meets the definition of program income must be returned to Lee County.

8.2 Proceeds that are NOT Program Income

The following proceeds are **not** considered program income under CDBG rules:

- Amounts generated by activities eligible under section 105(a)(15) of the HCD Act and carried out by an entity under the authority of section 105(a)(15) of the HCD Act (as per 24 C.F.R. § 570.489(e)(2)(ii)).
- Payments of principal and interest made by a subrecipient for CDBG-DR funded loans received from Lee County, if such payments are made using program

¹ [Federal Register 88 FR 32046, 32074](#)

income received by the subrecipient;

- Income earned from the investment of initial proceeds of a grant advance from the U.S. Treasury; interest earned on loans or other forms of assistance with CDBG-DR funds that are used for activities that are determined by HUD to be ineligible or that fail to meet a national objective; interest earned on the investment of amounts reimbursed to the CDBG-DR program account prior to the use of the reimbursed funds for eligible activities;
- Funds collected through special assessments to recover non-CDBG-DR outlays of capital improvements;
- The following classes of interest will be remitted to HUD for transmittal to the U.S. Treasury and will not be returned to Lee County's CDBG-DR line of credit:
 - Interest income from loans or other forms of assistance provided with CDBG-DR funds that are used for activities determined by HUD to be not eligible under 24 C.F.R. § 570.482 or section 105(a) of the HCD Act, that fail to meet a national objective in accordance with the requirements of 24 C.F.R. § 570.483, or fail to substantially to meet any other requirement of Subpart I of the HCD Act;
 - Interest income from deposits of amounts reimbursed to Lee County's CDBG-DR program account prior to Lee County's disbursement of the reimbursed funds for eligible purposes; and
 - Interest income received by a municipality on deposits of grant funds before disbursement of the funds for activities, except that the municipality may keep interest payments of up to \$100 per year for administrative expenses otherwise permitted to be paid with CDBG-DR funds.
- Proceeds from the sale of real property purchased or improved with CDBG-DR funds, if the proceeds are received after the affordability or continued use period, in accordance with 24 CFR 540.505 and County CDBG-DR policies.

8.3 Disposition of Program Income

All program income must be returned to Lee County as follows:

- Subrecipients are required to return all program income to Lee County within 30 days from receipt.
- Program income generated through recapture, in accordance with Lee County's Resale and Recapture Policies, must be returned to Lee County as soon as possible after receipt.
- All program income shall be returned to the Lee County Board of County

Commissioners by check or electronic funds transfer. Subrecipients and beneficiaries must contact Kelly Ryman at kryman@leegov.com (email) or at (239) 533-2438 for more detailed instructions or to answer questions on how to return program income.

- The submitted payment must include the project address and/or activity number and reason for payment.
- During its monitoring visits/desk audits, Lee County will review bank statements of program income, supporting program documentation indicating how the program income was generated, and other relevant information to substantiate the correct booking and handling of program income by the subrecipient.

8.4 Subrecipient Program Income Reporting and Transfer

Lee County and its subrecipients will work together to anticipate and plan for program income. Subrecipients will report program income through monitoring and desk audits and must file a Lee County-provided CDBG-DR Program Income Report, annually at the end of each County fiscal year. The Report must identify all receipts, including funds received that are not program income and any funds returned to Lee County.

Subrecipients must maintain a distinct chart of accounts that provides for all booked program income, including the date they submitted the earned program income to Lee County.

Six (6) months prior to the expiration of a subrecipient agreement and/or the completion of a project that has been funded with CDBG-DR, Lee County shall start its program income reconciliation and, through project close-out forecast and create a plan with the subrecipient on how and when to transfer program income back to Lee County. (2 CFR 200.302 (b)(4) and 24 CFR 570.503 (b)(7)).

8.5 Timelines Requirement and Reprogramming Grant Funds

Although standard CDBG timeliness requirements are waived (24 CFR 570.494 and 570.902) for CDBG-DR allocations, Lee County will ensure that activities are completed in a timely manner. Each written agreement execution for CDBG-DR funded activities will include a performance schedule. Lee County's CDBG-DR Action Plan also includes spending and performance projections for housing, infrastructure, economic development, planning and administration, and other activities (if applicable). HUD will, absent substantial evidence to the contrary, deem Lee County to be carrying out its programs and activities in a timely manner if its performance schedule is substantially met.

Iterative spending and performance reviews, ongoing technical assistance, monthly progress reporting and other internal controls have been developed by Lee County to ensure that timeliness objectives and deliverables are met, and that Lee County shall not be considered a "slow spender". Lee County reserves the right to cancel a

Subrecipient Grant Award if sufficient progress is not being made toward project completion. SRGA Program Manager's will review progress status reports monthly for each Subrecipient/Developer/Vendor/Contractor and monitor the financial progress monthly through reporting and the system of record grant management system.

Each Subrecipient Agreement and Funding Agreement will outline benchmarks, draw schedules, and noncompliance processes for the project/activity. When sufficient progress is not being made and the project/activity is more than 90 days behind schedule, SRGA staff will notify the subrecipient in writing detailing the lack of progress, possible corrective actions, possible conditions (if necessary), and the date when SRGA will reevaluate progress. Upon the reevaluation of the progress of the project/activity, if the subrecipient is unable to complete grant activities in a timely manner, the County reserves the right to reprogram the funds.

In the event of an unanticipated termination of a subrecipient grant agreement, the subrecipient shall remit all program income to Lee County within thirty (30) days of the termination of the agreement.

When CDBG-DR funds must be reprogrammed, SRGA will identify a shovel ready project from within a pool of previously received and vetted proposals or a new Notice of Funding Availability (NOFA) will be issued in accordance with Procurement guidelines. Whenever possible, SRGA will review existing projects for any additional funding gaps or the expansion of the existing scope of services that can be completed within the remaining expenditure timeline. Reprogrammed CDBG-DR funding will be awarded on a first come, first ready, first served basis in accordance with Lee County's implementation plan as outlined within the Action Plan and the remaining expenditure timeline.

Program income (other than program income deposited in a revolving fund) must be disbursed prior to the drawdown of additional funds from the Treasury (or, in the case of subrecipients, from Lee County). Program income in a revolving fund must be disbursed for the activity for which the fund was established before additional requests are made for new CDBG-DR funds.

CDBG-DR funds that cannot be reprogrammed will be returned to HUD.

Lee County may establish a Revolving Loan Fund (RLF) to manage program income. A separate interest-bearing bank account must be established to manage Program Income if a RLF is established.

9 De-obligation of Funds

Lee County's Financial Review for closeout of activities evaluates if funds obligated for the project will require de-obligation. If activities undertaken incur less costs than originally expected, funds will be de-obligated at agreement closeout, and made available for other eligible projects.

An unencumbered and obligations report will be reviewed monthly to ensure that funds are being expended and obligated in a timely manner to viable projects.

10 Asset Management

The County and its subrecipients will document and track all assets obtained with CDBG-DR funds. Subrecipients must document their policy and procedures for asset tracking and management.

Per [Lee County Administrative Code 3-14](#), all tangible personal property obtained by the County through the use of Federal grants will be controlled under the property management standards of the appropriate Federal regulations governing the grant regarding the acquisition, record keeping, use and disposal of the asset, in addition to the procedures outlined in the administrative code. The Federal monetary asset threshold is \$5,000 or more.

10.1 Fixed Assets Management

Under Florida Statute 274, Lee County will track all fixed asset property with a purchase price of \$5,000 or more. The County and its subrecipients will define the roles and responsibilities and processes for asset management.

To ensure accurate accounting of the department's fixed assets, all staff are required to adhere to the following guidelines:

- Never remove property tags.
- Before disposing of any asset, regardless of its value, (even if not tagged), check with the property control clerk.
- Assets that are purchased for use within communities (i.e., sidewalks, playground equipment, bus shelters), but are owned and maintained by the County, will be carried as County fixed assets. The fixed asset property control clerk should be notified immediately of any plans to remove, demolish, or dispose of one of these assets.
- Software with a purchase price of \$100,000 or more is classified as a fixed asset and will be carried on inventory. The property control clerk is to be notified of any plans to dispose of the software.

2 CFR 200.313 and 200.314 requires that equipment and supply assets acquired with CDBG-DR funds with a value of \$5,000 or more per unit be capitalized, inventoried, and monitored.

10.2 Disposal of County Property Not on Inventory

Administrative Code 3-24 provides guidance on disposing of surplus County owned office equipment, fixtures and materials that do not fall under the category of tangible fixed assets.

1. The surplus item(s) are to be advertised on the County's intranet bulletin board for five business days to see if another County department has a need for the item(s).
2. If no department is interested, then the item(s) can be considered salvage, and disposed of in the following order:
 - a. Transferred to another local, non-county government agency.
 - b. Donated to a local not-for-profit charity.
 - c. Donated to another Florida county.
 - d. Disposed of as trash, using appropriate solid waste guidelines.

10.3 Real Property

Per 2 CFR 200.311 Real Property, the title to real property acquired or improved under a Federal award will vest upon acquisition by the County or subrecipient. Real property must be used for the originally authorized purpose if specified in the subrecipient agreement, during which time the subrecipient must not dispose of or encumber its title or other interests.

10.4 Disposition of Real Property

When real property is no longer needed for the originally authorized purpose, the subrecipient must obtain disposition instructions from the County. The instructions must provide for one of the following alternatives:

1. Retain title after compensating the Federal awarding agency. The amount paid to the Federal awarding agency will be computed by applying the Federal awarding agency's percentage of participation in the cost of the original purchase (and costs of any improvements) to the fair market value of the property. However, in those situations where the non-Federal entity is disposing of real property acquired or improved with a Federal award and acquiring replacement real property under the same Federal award, the net proceeds from the disposition may be used as an offset to the cost of the replacement property.
2. Sell the property and compensate the Federal awarding agency. The amount due to the Federal awarding agency will be calculated by applying the Federal awarding agency's percentage of participation in the cost of the original purchase (and cost of any improvements) to the proceeds of the sale after deduction of any actual and reasonable selling and fixing-up expenses. If the Federal award has not been closed out, the net proceeds from sale may be offset against the original cost of the property. When the non-Federal entity is directed to sell property, sale procedures must be followed that provide for competition to the extent practicable and result in the highest possible return.

3. Transfer title to the Federal awarding agency or to a third party designated/approved by the Federal awarding agency. The non-Federal entity is entitled to be paid an amount calculated by applying the non-Federal entity's percentage of participation in the purchase of the real property (and cost of any improvements) to the current fair market value of the property.

11 Audits

The County and its subrecipients will comply with the audit standards set forth in OMB Circular A-133 "Audits of States, Local Governments and Non-profit Organizations". The policy is applicable based on the requirement of Federal agencies to apply the provisions of the sections of the Circular to non-Federal entities, whether they are recipients expending Federal awards received directly from Federal awarding agencies or are subrecipients expending Federal awards received from a pass-through entity (a recipient or another subrecipient).

In addition, Lee County is subject to the scrutiny of two annual audits: one audit is of all general fund activity and the other is the required single audit of all Federal and state grants. The Office of Strategic Resources and Government Affairs (SRGA) is also routinely monitored for financial and performance compliance by various Federal, state and private granting agencies, as well as the previously mentioned oversight divisions and offices.

SRGA and the Office of Management and Budget (OMB) routinely act as the liaison between all auditing entities and program staff for financial audits. County staff are expected to make every reasonable effort to provide clear and accurate documentation on all financial transactions to ensure a proper audit trail is in place. To this end, the following policies, procedures, and forms have been developed to ensure a valid and reliable audit trail.

Lee County Audit Reports are retained on the Lee County Clerk of Courts website at <https://www.leeclerk.org/departments/finance/financial-reports>.

SRGA staff are responsible for the continuous update of monitoring exhibits, policies and procedures, and program documentation to ensure audit readiness at all times. Upon notification of audit, SRGA staff will complete and assemble all required Monitoring Checklists, Forms, or other required exhibits prior to the grantor's deadline.

During audit, SRGA staff will ensure that on-site monitoring staff have access to a quiet and separate space in which to review the provided documents. SRGA staff must ensure access to systems of record, County networks, printers, or any other resources necessary to complete the audit. For any monitoring conducted remotely, SRGA staff will ensure Microsoft Teams appointments are established and coordinated to ensure a streamlined audit.

Audits performed for Lee County and its subrecipients of federal funds will be performed by an independent auditor in accordance with Government Auditing Standards and must be conducted in accordance with the OMB circulars. Specifically, the audit will cover financial statements, internal controls, and compliance with applicable laws and regulations.

11.1 Types of Audits

11.1.1 Internal Audit

Lee County's Clerk of Courts conducts independent, objective assurance and consulting activities designed to add value and improve an organization's operations. The audits help Lee County accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The Audit Services Unit of the Clerk & Comptroller's Inspector General Department Internal Auditors will adhere to the generally accepted principles and standards developed for offices of inspector general approved by the Association of Inspectors General (AIG). In addition, our office will conduct audits in conformance with the Institute of Internal Auditor's (IIA) International Standards for the Professional Practice of Internal Auditing (Red Book).

Information about the Clerk's internal audit function and standards are available on their website <https://www.leeclerk.org/departments/inspector-general/internal-audit-investigation>.

Notification regarding selection of CDBG-DR for internal audit will be provided to the Assistant County Manager for SRGA. The Assistant County Manager will notify SRGA staff of the audit and staff will begin gathering all required information to comply with the audit. SRGA staff will serve as the single point of contact for CDBG-DR related audit concerns.

11.1.2 Single Audit

The Single Audit Act requires an annual audit of non-Federal entities that expend \$750,000 or more of Federal Financial Assistance in a fiscal year.

The Single Audit must be performed by an independent auditor and the reporting package (which includes the audit report) must be submitted to the Federal Audit Clearinghouse within 30 days after your organization receives the audit report or 9 months from your organization's fiscal year end. The annual audit report must also be submitted to HUD within 30 days after receipt.

A Single Audit includes an audit of both financial statements and compliance with Federal award requirements for those programs identified as "major programs" (based on application of the risk-based approach and criteria outlined in 2 CFR § 200.518 and 200.519) for the audit.

In accordance with 2 CFR 200.509, Lee County procures audit services to complete the single audit. Lee County's Procurement Management Department maintains procurement records for the single audit provider on their website <https://www.leegov.com/procurement/awarded-annual-contracts>.

Notification regarding selection of CDBG-DR for single audit will be provided to the Assistant County Manager for SRGA. The Assistant County Manager will notify SRGA staff of the audit and staff will begin gathering all required information to comply with the audit. SRGA staff will serve as the single point of contact for CDBG-DR related audit concerns.

11.1.3 Grantor Audits

Federal and state agencies will audit Lee County for financial, performance, and overall grant management for any grants awarded. Notifications regarding audits by grantors, including the Office of Inspector General (OIG) may arrive through a variety of means. Most often, grantors will send a notification regarding a planned audit to the grantee contact on file. For CDBG-DR funding, HUD or OIG should direct notifications to the Assistant County Manager for SRGA. If notification is sent to other County departments or staff, the notification must be forwarded to the Assistant County Manager for SRGA.

The Assistant County Manager will notify SRGA staff of the audit and staff will begin gathering all required information to comply with the audit. SRGA staff will serve as the single point of contact for the HUD, OIG, or other official grantor audits related to CDBG-DR.

11.2 Audit Reports

Following the completion of the audit, an audit report must be prepared. The audit report must, at a minimum, contain the following:

- An opinion (or disclaimer of opinion) as to whether the financial statements are presented fairly in all material respects to conform with generally accepted accounting principles and an opinion (or disclaimer of opinion) as to whether the schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole;
- A report on internal controls related to the financial statements and major programs. This report shall describe the scope of testing of internal controls and the results of the tests, and, where applicable, refer to the separate schedule of findings and questioned costs;
- A report on compliance with laws, regulations, and the provisions of contracts or grant agreements, and any noncompliance which could have a material effect on

the financial statements. This report shall also include an opinion (or disclaimer of opinion) as to whether the grantee or subrecipient complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program, and, where applicable, refer to the separate schedule of findings and questioned costs; and

- A schedule of findings and questioned costs that includes a summary of the auditor's results, findings relating to the financial statements which are required to be reported in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States, and findings and questioned costs for Federal awards.

The audit must be completed, and the report submitted to the Federal clearinghouse designated by OMB within the earlier of 30 days after receipt of the auditor's report(s), or 13 months after the end of the audit period. Lee County or its subrecipients shall make copies available for public inspection. Copies of audit reports must be kept on file for a minimum of three years from the date of submission to the Federal clearinghouse designated by OMB.

The auditor shall retain working papers and reports for a minimum of three years after the date of issuance of the auditor's report(s) to the grantee or subrecipient, unless the auditor is notified in writing by the cognizant agency for audit, oversight agency for audit, or pass-through entity to extend the retention period. If there are unresolved audit issues at the end of this three-year period, the grantee or subrecipient should notify the auditor in writing to extend the retention period.

11.3 Auditor Selection and Procurement

In arranging for audit services, Lee County and subrecipients must follow the procurement standards found in 2 CFR Part 200, Subpart F, as applicable.

The regulations at 2 CFR Part 200.501 – Subpart F states that a non-Federal entity that expends \$750,000 or more during its fiscal year in Federal awards, shall comply with audit requirements as set forth in the federal regulations by obtaining a single or program-specific audit conducted for that year, in accordance with the provisions of Part 200.501 – Subpart F. Lee County is subject to the single-audit requirement and procures an audit firm per the procurement requirements at 2 CFR 200.509 Auditor, Selection, 200.509(a) Auditor Procurement, 2 CFR 200.318(e), and 2 CFR 200.319.

Whenever possible, Lee County and its subrecipients shall make positive efforts to utilize small businesses, minority-owned firms, and women's business enterprises when procuring audit services. In requesting proposals for audit services and objectives, the scope of audit, terms of services and duration of contract are made clear within the RFP to facilitate fair and open competition among all proposers. Factors to be considered in

evaluating each proposal for audit services include the responsiveness to the request for proposal, relevant experience, availability of staff with professional qualifications and technical abilities, the results of external quality control reviews, and price.

11.4 Audit Costs

The costs of audits made in accordance with the applicable regulations are allowable charges to Federal assistance programs. These charges can be treated as either a direct cost or an allocated indirect cost, as determined in accordance with the provisions of applicable OMB cost principles circulars. The cost of any audit under OMB Circular A-133 not conducted in accordance with this part is unallowable. The cost of auditing a non-Federal entity, which has Federal awards expended of less than \$750,000 per year and is thereby exempted from having an audit conducted under this part, is also not allowable.

Lee County may charge Federal awards for the cost of limited scope audits to monitor its subrecipients, provided the subrecipient does not have a single audit. For purposes of this part, limited scope audits only include agreed-upon procedure engagements conducted in accordance with either the American Institute for Certified Public Accountants' (AICPA's) generally accepted auditing standards, or attestation standards that are paid for and arranged by Lee County and address only one or more of the following types of compliance requirements: activities allowed or unallowed; allowable costs/cost principles; eligibility; matching, level of effort, earmarking; and reporting.

11.5 Pass-through Responsibilities

Lee County, as a "pass-through entity" under OMB Circular A-133, must perform the following actions with respect to its subrecipients:

- Identify Federal awards made by informing each subrecipient of the Assistance Listing at <https://sam.gov/content/assistance-listings> (formerly CFDA) title and number, award name and number, award year, and name of federal agency. When some of this information is not available, Lee County will provide the best information available to describe the Federal award.
- Advise subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the grantee. Monitor the activities of subrecipients as necessary to ensure that CDBG-DR funds are used for authorized purposes in compliance with laws, regulations, and the provisions of the subrecipient agreement and that performance goals are achieved.
- Ensure that a subrecipient expending \$750,000 or more in Federal awards during the subrecipient's fiscal year has met the audit requirements of OMB Circular A-133 for that fiscal year.

- Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.
- Consider whether subrecipient audits necessitate adjustment of Lee County's own records.
- Require each subrecipient to permit Lee County and auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with this part.

12 Federal Cross-cutting Financial Management

12.1 Federal Funding Accountability and Transparency Act (FFATA) and DRGR Reporting

Per The Consolidated Notice, the County and its subrecipient are subject to HUD reporting requirements using DRGR. Additionally, FFATA requires information on Federal awards (Federal financial assistance and expenditures) be made available to the public via a single, searchable website, which is www.USASpending.gov.

The FFATA Subaward Reporting System (FSRS) is the reporting tool Federal prime awardees (i.e., prime contractors and prime grants recipients) use to capture and report subaward and executive compensation data regarding their first-tier subawards to meet the FFATA reporting requirements. Prime contract awardees will report against sub-contracts awarded and prime grant awardees will report against sub-grants awarded. The sub-award information entered in FSRS will then be displayed on www.USASpending.gov associated with the prime award furthering Federal spending transparency.

12.2 Reporting Timeline for Prime Grant Recipients

Prime Grant Recipients awarded a new Federal grant greater than or equal to \$30,000, as of October 1, 2010, are subject to FFATA sub-award reporting requirements as outlined in the Office of Management and Budgets guidance issued August 27, 2010. The prime awardee is required to file a FFATA sub-award report by the end of the month following the month in which the prime recipient awards any sub-grant greater than or equal to \$30,000.

Lee County SRGA staff are responsible to ensure that FFATA reporting is completed within 60 days after the execution of written agreements that make any sub-award of CDBG-DR funds.