# CDBG-DR Compliance Overview

Recovery and Resilience after the Helene Disaster

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## Where we've been …

**July Training**

- Introduction to the CDBG-DR grant
- Overview of eligible projects/programs outlined in the grantee's Action Plan

**August Training**

- Compliance with the national objectives
- Tie-back to disaster
- Environmental reviews
- Duplication of benefits

*Recordings available

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# Where we're going…

Responsibilities of a subrecipient

Governing laws and regulations

How to meet compliance requirements

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## Community Development Block Grant - Disaster Recovery (CDBG-DR)

- Flexible federal grant funding to help communities recover from presidentially declared disasters—funding addresses unmet needs and promotes long-term resiliency
- The CDBG block grant regulations (24 CFR Part 570) apply to CDBG-DR. However, HUD may waive, modify, or add requirements for the specific disaster
- Eligible projects focus on housing, infrastructure, economic revitalization, and mitigation
- 70% of CDBG-DR funds must be spent to benefit low- and moderate-income (LMI) persons
  - Households with incomes ≤ 80% Area Median Income (AMI)
  - Projects serving areas where ≥ 51% of residents are LMI

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## CDBG-DR Hurricane Helene Federal Register Notices

**Public Law 118-158**
- Congress authorized $12B in CDBG-DR funds to aid in recovery efforts for federally declared disasters in 2023-2024

**Universal Notice (90 FR 1754) – January 8, 2025**
- Includes waivers and alternative requirements, regulatory requirements, award process, and eligible disaster recovery activities

**Federal Register AAN (90 FR 4759) – January 16, 2025**
- Appropriated the funding
- North Carolina: Total $1.4B
  - $1,241,843,000 (unmet recovery needs); $86,277,000 (mitigation)
- Asheville: $225M

**"Revised Universal Notice" – March 19, 2025**
- Memo 2025-02 updates the original Universal Notice to align with new executive orders

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# Hurricane Helene CDBG-DR Program
## Grantee: NC Department of Commerce

- **Reconstruction/Rehabilitation of Owner-Occupied Units** ($807M)
  - *Eligible applicants limited to individual property owners
- **Workforce Housing** ($53M)
- **Multifamily Rental Housing** ($191M)
- **Infrastructure:** $193M
- **Commercial District Revitalization** $111M

HUD approves Action Plan → Grantee finalizes program policies and procedures → Eligible applicants apply for funding → Implement & compliance → Monitoring and Reporting → Closeout

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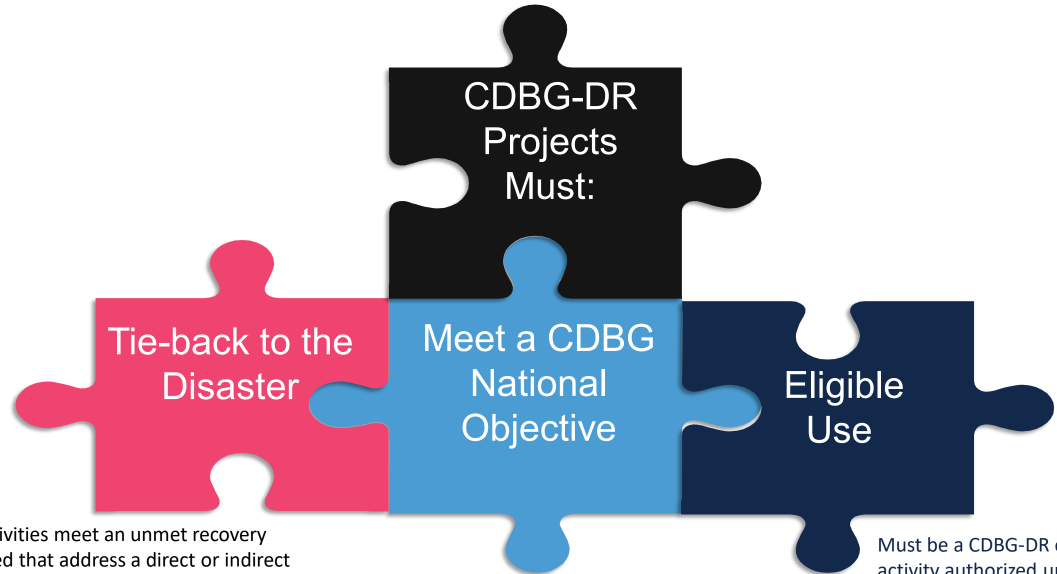


Activities meet an unmet recovery need that address a direct or indirect impact of the disaster

1. Benefit low-to-moderate income (LMI) persons (70% must benefit LMI)
2. Prevent or eliminate slums/blight (rarely used)
3. Address an urgent need

Must be a CDBG-DR eligible activity authorized under Section 105 of the Housing and Community Development Act (HCDA) or be allowed by waiver or alternative requirement

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## Most Impacted & Distressed Areas ("MID" Areas)

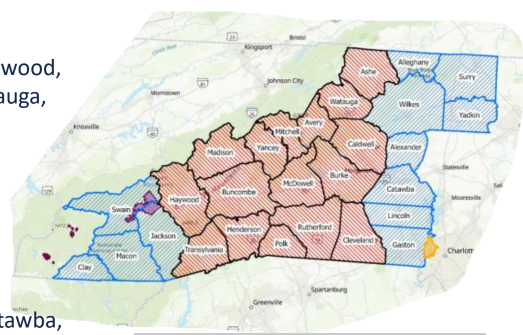
80% of the CDBG-DR funds must be spent in HUD-identified MID areas

80% of allocation

**HUD-identified MID areas**: Ashe, Avery, Buncombe, Burke, Haywood, Henderson, McDowell, Mitchell, Rutherford, Transylvania, Watauga, Yancey, Caldwell*, Cleveland*, Madison*, Polk*

**HUD-identified partial MID areas**: Mecklenburg (28214)

**State-identified MID areas**: Alexandar, Alleghany, Cabarrus, Catawba, Clay, Gaston, Jackson, Lincoln, Macon, Surry, Swain, Wilkes, Yadkin




HUD-identified MID Areas - red
HUD-identified partial MID area - yellow
State-identified MID Areas - blue

*NCDOC expanded the HUD-Identified MID areas to include all of Caldwell, Cleveland, Madison, and Polk, and the entirety of these counties are considered HUD-identified MID areas.

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# Duplication of Benefits

A DOB occurs when a person, household, or other entity receives financial assistance from multiple sources that can be used for the same purpose, AND the total assistance exceeds the total need.

Private Insurance → FEMA Public Assistance → Other federal programs → National Flood Insurance Program → State funding → CDBG-DR

**The state grantee is responsible for the DOB analysis—not the unit of government**

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## Environmental Reviews

- Environmental review process must be completed and approved BEFORE funds are committed or spent!
- The state grantee will determine the environmental review process for each project type
- Do NOT start a project before the environmental review process is complete.
  - Do not move dirt!
  - Do not acquire property!
  - Do not hire engineers to design a project (yet)!

**Project Underway**

Grantee to determine any previous environmental review process satisfies HUD

**Project not started**

Do not begin before environmental review is complete

Avoid "Choice-Limiting" Actions:

- Committing HUD or non-HUD funds (e.g., purchasing property/executing contracts)
- Physically altering a property (e.g., site grading or demolition)

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GRANTS ARE…Not Free Money!

# Post-Award Management


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## State Law Authority to Accept Grants

**§ 160A-17.1. Grants from other governments.**

- The governing body of any city or county is hereby authorized to make contracts for and to accept grants-in-aid and loans from the federal and State governments and their agencies for constructing, expanding, maintaining, and operating any project or facility, or performing any function, which such city or county may be authorized by general law or local act to provide or perform.

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# State Law Resources

SOG Courses that Cover Public-Private Partnerships

-

- Affordable Housing Seminar for local government leadership (in person Oct. 16 in Chapel Hill)
- Community Development Academy (in person 6 days in Chapel Hill, March 17-19 and April 14-16)
- Development Finance Toolbox (online Dec. 2-4)

School of Government Online Resources for Economic Development & Revitalization

THE UNIVERSITY of NORTH CAROLINA at CHAPEL HILL

Assistance with Development and Revitalization Projects
UNC Development Finance Initiative (DFI)
NC Communities: Submit Projects for Free Revitalization Analysis by Students

Economic Development
Economic Development Tools and Strategies (On Demand Online 60-minute Module)
When May NC Local Governments Pay an Economic Development Incentive?
Notice and Hearing Requirements for Economic Development Appropriations
Local Government as Lender: Emergency Loans for Small Businesses
Closed Session Deep Dive: The Business Location Exception
Acquiring real property for redevelopment—can local governments keep it confidential?
Conveyance of Local Government Property to Nonprofit EDC for Industrial Park
Remote workers: When do they count for local economic development incentives?

Revitalization and Downtown Development
Conveyance of Property to Private Entity for Community Economic Development – Chart
Follow Procedures Prior to Acquiring Property for Redevelopment
Reasons Why Downtown Development Programs Should Involve Secured Loans—Not Grants
Sale of Historic Structures by NC Local Governments for Redevelopment
Conveyance of property in a public-private partnership for a "downtown development project"
Downtown Facade Improvement Programs
How a North Carolina Local Government Can Operate a Land Bank for Redevelopment
Using a Redevelopment Area to Attract Private Investment

Private Affordable Housing Development:
Local Government Support for Privately Owned Affordable Housing
Conveying property to housing organization for low- and moderate-income homeownership
Affordable Housing Powers for Local Governments – Chart

Property Tax and Affordable Housing
Property Tax Exemptions and Community Economic Development
Special Property Tax Rules for Affordable Housing
Gentrification and Property Tax Relief
Government Property, Private Leases, and Property Taxes

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# Legal Framework

| | |
|---|---|
| **Universal Notice and Memoranda** | Universal requirements governing the allocation of disaster funding |
| **24 CFR 570** | CDBG program regulations govern CDBG-DR, absent exception or alteration |
| **Program-Specific Policies** | Grantee writes policies and procedures for each funded program |
| **Cross-Cutting Federal Regulations** | Environmental review, URA, Section 3, Fair Housing, Davis-Bacon, etc. |
| **Uniform Guidance**<br>**2 CFR 200** | Uniform administrative requirements, cost principles, and audit requirements for federal awards |
| **State law** | NC law applies to expenditures of federal grant awards (e.g. procurement) |

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## Title 24 - Housing & Urban Development
## Part 570 – Community Development Block Grants

Subpart A – General Provisions

Subpart C – Eligible Activities

Subpart D – Entitlement Grants

Subpart E – Special Purpose Grants

Subpart J – Grant Administration

Subpart J specifies how CDBG compliance deviates from the UG.

| | |
|---|---|
| Criteria for national objectives | 24 CFR 570.208 |
| Applicability of UG | 24 CFR 570.502 |
| Agreements with subrecipients | 24 CFR 570.503 |
| Program Income | 24 CFR 570.504, -.500 |
| Use or real property | 24 CFR 570.505 |
| Records to be maintained | 24 CFR 507.506 |

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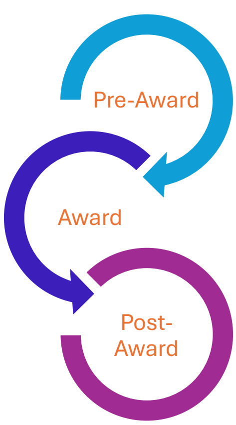
## Uniform Guidance
## 2 CFR Part 200




- Subpart A – Acronyms and Definitions
- Subpart B – General Provisions
- Subpart C – Pre-Award Requirements
- Subpart D – Post-Award Requirements
- Subpart E – Cost Principles
- Subpart F – Audit Requirements
- Appendices I - IX

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# UG Subpart D, Post-Award Compliance

- Financial Management (200.302)
- Internal Controls (200.303)
- Program Income (200.307)
- Property Management ( 200.310-316 and 200.329)
- Procurement ( 200.318-327 and Appendix II)
- Subrecipient Management and Monitoring (200.331-333)

**24 CRF 570.502 – Applicability of UG**
- Exempts and modifies compliance with certain UG provisions.

Refer to Subaward Agreement for specific compliance requirements!

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# Cross-Cutting Requirements

- **Environmental regulations**
  - National Environmental Policy Act (NEPA)
- **Civil rights and fair housing**
  - Fair Housing Act
  - Title VI of the Civil Rights Act of 1964
  - Section 3 of the Housing and Urban Development Act (24 CFR Part 75)
  - Section 540 of the Rehabilitation Act and ADA
- **Labor standards**
  - Davis-Bacon Act
  - Contract Work Hours and Safety Standards Act
- **Acquisition and relocation**
  - Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA)

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## Grantee as Pass-Through Entity

- Adopt policies and procedures for each CDBG-DR program
  - Workforce Housing
  - Multifamily Rental Housing
  - Infrastructure
  - Commercial District Revitalization
- Execute subaward agreement with subrecipient to carry out a specific program
- Monitor subrecipients to ensure compliance with federal law and program guidelines

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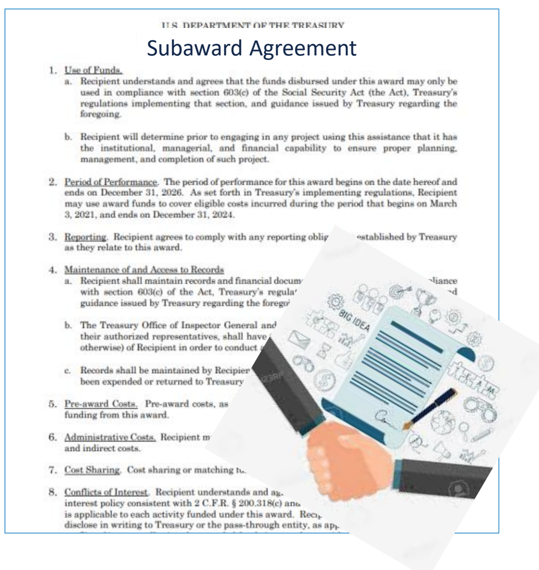
## Executing the Subaward Means Accepting its Terms

Terms of subrecipient agreement will include requirements, such as:

- Project name
- Award amount
- Scope of services
- Period of performance
- Budget/payment drawdowns
- 24 CFR Part 570, applicable CDBG regs
- 2 CFR Part 200, applicable Uniform Guidance regs
- Cross-cutting federal regulations
- Reporting/closeout
- Record retention
- Suspension and termination
- Reversion of assets



U.S. DEPARTMENT OF THE TREASURY

Subaward Agreement

1. Use of Funds.
   a. Recipient understands and agrees that the funds disbursed under this award may only be used in compliance with section 603(c) of the Social Security Act (the Act), Treasury's regulations implementing that section, and guidance issued by Treasury regarding the foregoing.

   b. Recipient will determine prior to engaging in any project using this assistance that it has the institutional, managerial, and financial capability to ensure proper planning, management, and completion of such project.

2. Period of Performance. The period of performance for this award begins on the date hereof and ends on December 31, 2026. As set forth in Treasury's implementing regulations, Recipient may use award funds to cover eligible costs incurred during the period that begins on March 3, 2021, and ends on December 31, 2024.

3. Reporting. Recipient agrees to comply with any reporting oblig established by Treasury as they relate to this award.

4. Maintenance of and Access to Records
   a. Recipient shall maintain records and financial docum liance with section 603(c) of the Act, Treasury's regula d guidance issued by Treasury regarding the foregoi

   b. The Treasury Office of Inspector General and their authorized representatives, shall have otherwise) of Recipient in order to conduct

   c. Records shall be maintained by Recipier been expended or returned to Treasury

5. Pre-award Costs. Pre-award costs, as funding from this award.

6. Administrative Costs. Recipient m and indirect costs.

7. Cost Sharing. Cost sharing or matching

8. Conflicts of Interest. Recipient understands and ag interest policy consistent with 2 C.F.R. § 200.318(c) and is applicable to each activity funded under this award. Rec disclose in writing to Treasury or the pass-through entity, as ap



24 CFR 570.503

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# Policies & Procedures

**UG Required Policies**

- Payment Management Policy, §200.302(b)(6)
- Allowable Cost/Cost Principles, §200.302(b)(7)
- Procurement Policy, §200.318
- Conflict of Interest Policy, §200.318(c)(1-2)

**Other Policies**

- Property management
- Financial management
- Documentation/record retention
- Policies for cross-cutting federal laws (adopt grantee's policies)
- Fraud, Waste, and Abuse

See subaward agreement for specific policy requirements!

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# Annual Audit

Audit category is based on total funds expended, not the receipt of funds.

LGC may force LG to select auditor from approved list if LG had investigative audit with findings by the State Auditor within last 3 years. The auditor will report to the LGC and governing board.

**Financial Audit**: All local governments must undergo an annual financial audit. (G.S.

**Yellow Book Audit**: Expend $100,000 or more in <u>combined</u> federal or state dollars.

**State Single Audit:** Expend $1 million or more in state funds must have a state single audit (threshold is $500,000 for FYs ending on or before June 30, 2025.

**Federal Single Audit**: Expend $1 million or more in <u>federal</u> dollars during the non-federal entity's fiscal year.

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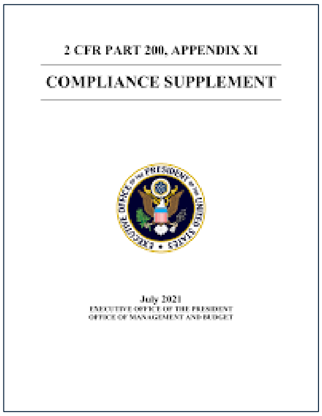
# Federal Single Audit

Not all compliance categories are tested, but compliance is still required


2 CFR PART 200, APPENDIX XI

COMPLIANCE SUPPLEMENT

July 2021

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

| A | B | C | E | F | G | H | I | J | L | M | N |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Activities Allowed or Unallowed | Allowable Costs/Cost Principles | Cash Management | Eligibility | Equipment/ Real Property Management | Matching, Level of Effort, Earmarking | Period Of Performance | Procurement Suspension & Debarment | Program Income | Reporting | Subrecipient Monitoring | Special Tests and Provisions |

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## Financial Management System
## 2 CFR 200.302

- Identify all federal awards received and expended
- Produce accurate, current, and complete financial reporting in accordance with GAAP
- Maintain records that identify the source and application of funds for federally-funded activities
- Establish written procedures to verify cost allowability in accordance with Subpart E – Cost Principles
- Minimize time elapsed between the transfer of funds
- Provide effective internal control over all funds, property and other assets to ensure they are adequately safeguarded

G.S. 159-26 sets forth similar capability requirements for accounting system!

**Maintain Distinct Accounting Information**

- Authorizations
- Obligations
- Unobligated balances
- Assets
- Expenditures
- Program Income
- Interest

**Maintain source documentation**

- Paid invoices
- Time sheets and payroll records
- Contracts, purchase orders
- Bid documents
- Bank statements
- All source documents that support financial transactions

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# Establish Accounting Procedures

The subrecipient is responsible for ensuring all CDBG-DR expenditures:

- Are appropriated by the governing board into a budget ordinance
- Do not exceed the award amount in the subrecipient agreement
- Are expended during the period of performance
- Are separately tracked
- Are supported by documentation of the purchase

**Must preaudit obligations pursuant to G.S 159-28

## Components of Accounting System

Chart of Accounts → Cash Receipts Journal → Cash Disbursements Journal → Payroll

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# All revenue MUST BE appropriated before it may be expended

| Capital Project Ordinance | Annual Budget Ordinance | Grant Project Ordinance |
|---|---|---|
| Multi-year | Single Fiscal Year | Multi-year |
| For capital projects only | Mainly operating expenses | Anything funded with a grant (operations and/or capital) |
| Often involves debt financing | Traditional revenue sources | Allows for easier compliance with grant regulations |

159-13.2

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# Allowable Activities

Eligible Projects + Eligible Beneficiaries

**Program/Activity Eligibility Documentation**

- Description of program or activity
- Location
- Unmet need/disaster tie-back
- National Objective

**Supporting Documentation**

☐ Damage Assessment / Unmet Needs Analysis

☐ Maps, Photos, or GIS Data Showing Impact

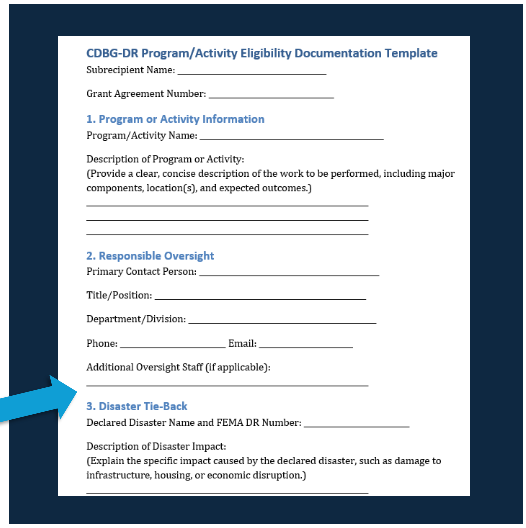
☐ Demographic or Income Data (if LMI benefit)

☐ Cost Estimates / Scope of Work

☐ FEMA or Insurance Claim Documentation

24 C.F.R. 570.506

Document Project Eligibility Determinations



CDBG-DR Program/Activity Eligibility Documentation Template

Subrecipient Name: ______

Grant Agreement Number: ______

1. Program or Activity Information

Program/Activity Name: ______

Description of Program or Activity:
(Provide a clear, concise description of the work to be performed, including major components, location(s), and expected outcomes.)

2. Responsible Oversight

Primary Contact Person: ______

Title/Position: ______

Department/Division: ______

Phone: ______ Email: ______

Additional Oversight Staff (if applicable):

3. Disaster Tie-Back

Declared Disaster Name and FEMA DR Number: ______

Description of Disaster Impact:
(Explain the specific impact caused by the declared disaster, such as damage to infrastructure, housing, or economic disruption.)

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# Allowable Activities

Eligible Projects + Eligible Beneficiaries

**Eligible Project:** Is the project an eligible housing, infrastructure, or economic revitalization project? Eligible under state law?

**Location:** Is the project located in a HUD-identified MID area? If not, is it in a state-identified MID area?

**Tie-Back to Disaster:** Does the program or activity address a direct or indirect impact of Hurricane Helene?

**National Objective:** Does the project meet the LMI objective? (household, area, clientele, jobs)

**National Objective** –If the project does NOT serve LMI, does it address an urgent need? If not, slums/blight objective?

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# Allowable Costs

- **Direct costs** can be easily assigned to a specific project or program with a high degree of accuracy
  - Personnel costs
  - Materials and supplies
  - Equipment
  - Training
  - Travel
- **Indirect costs** are incurred for common or joint purposes benefiting more than one cost objective
- Indirect costs are allocated in proportion to the benefit provided.
  - General administrative expenses
  - Facilities costs

Direct Costs, 200.413

Indirect Costs, 200.414

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# Allowable Cost Review

| | |
|---|---|
| **Necessary** | • Costs must be directly tied to the performance of eligible work |
| **Reasonable** | • Current market rates for similar goods or services<br>• A cost or price analysis is required for procurements over $250K |
| **Allocable** | • Cost are either direct or allocated proportionately |
| **Consistently treated** | • Consistent with the internal policies and procedures |
| **Adequately documented** | • Documents must evidence the transaction and support a determination of reasonableness |

2 CFR 200.403

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# Selected Items of Costs

2 C.F.R. 200.420 to 200.476

Uniform Guidance identifies 55 cost items, stating if they are chargeable to federal awards and under what conditions.

| SECTION | TITLE |
|---|---|
| 200.425 | Audit services |
| 200.430 | Compensation – personal services |
| 200.431 | Compensation – fringe benefits |
| 200.432 | Conferences |
| 200.439 | Equipment |
| 200.444 | General costs of government |
| 200.473 | Training and education costs |
| 200.475 | Travel costs |

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Charges for salaries/ benefits must be based on records that accurately reflect the work performed

Records must be officially incorporated into the organization's documents

Time and effort records should reflect percentage of work charged to the federal award(s) and show other duties

Pay must be reasonable and consistent with organizational pay and benefits policies

Reconcile budget estimates to actual costs incurred

# Compensation & fringe benefits § 200.430, .431

Compensation (wages and salaries) is allowable if certain criteria is satisfied

Fringe benefits include, but are not limited to, the costs of leave (vacation, family-related, sick or military), employee insurance, pensions, and unemployment benefit plans.

Except as provided elsewhere in these principles, the costs of fringe benefits are allowable provided that the benefits are reasonable, provided under established written leave policies.

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# Preaward Costs

- The grantee may reimburse subrecipients for pre-award costs incurred on of after the incident date, if the environmental review and all other cross-cutting requirements are bet before the underlying activity begins.

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| Cost Items | Grant Project: Utility Subsidy Program | | | | |
|---|---|---|---|---|---|
| | Expenditures | Necessary | Reasonable | Allocable | Allowable |
| Personnel | $22,000 | ✓ | ✓ | ✓ | ✓ |
| Fringe Benefits | $4,659 | ✓ | ✓ | ✓ | ✓ |
| Travel | | | | | |
| Equipment | | | | | |
| Supplies | $562 | ✓ | ✓ | ✓ | ✓ |
| Contractual | | | | | |
| Construction | | | | | |
| Leases | | | | | |
| Communication | $3,000 | ✓ | ✓ | | |
| Cash Payments | $50,000 | ✓ | ✓ | | |
| ... | | | | | |
| **Total Direct Charges** | **$80,221** | | | | |
| Indirect Charges | $8,022 | | | | |
| **Total** | **$88,243** | | | | |

Establish review processes for cost items within each project. Review should occur before payment of any invoices.

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# Program Income

**24 CFR 570.504**
**24 CFR 570.500**

***Program income*** means gross income received by the recipient or a subrecipient directly generated from the use of CDBG-DR funds. Program income includes, but is not limited to, the following:

- Proceeds from the disposition by sale or long-term lease of real property purchased or improved with CDBG funds;
- Proceeds from the disposition of equipment
- Gross income from the use or rental of real or personal property acquired with CDBG funds
- Payments of principal and interest on loans

Subaward agreement will establish how the subrecipient shall treat program income.

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# Property Management

- **Real property** - Land and buildings or apparatuses attached thereto.
- **Equipment** - Tangible personal property with a useful life of more than one year AND cost to purchase exceeds the lesser of the unit's capitalization level OR $10,000.
- **Supplies** - All personal property other than equipment.

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# Real Property
24 CFR 570.505, -.502

**Property costing $25,000 or more that is acquired or improved using CDBG-DR funds**

- Real Property must be used to:
  - Meet one of the national objectives for 5 years after expiration of subaward agreement, or longer if specified in the subaward agreement. 24 CFR 570.503(b)(7)
- A change of the original use allowed if:
  - The new use meets a national objective
  - The CDBG-DR program is reimbursed for its fair share of FMV
- Proceeds from the disposition of real property are likely subject to program income requirements. *See subaward agreement.

Records to Maintain
- Contracts for purchase of real property
- Documents on property use (beneficiaries, rent charged, etc.)
- Evidence supporting any change of use
- Financial records for upgrades, showing proportional CDBG-DR and other funds

*Records relating to real property have longer retention periods. See 24 CFR 570.502(7(ii)

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# Equipment
24 CFR 570.502 & 2 CFR 200.313

### Equipment Requirements

- **Use**: Equipment not needed for CDBG activities must be:
  - Transferred to the recipient for CDBG use, **or**
  - Retained after compensating the recipient *(24 CFR 570.502)*
- **Disposition**
  - Sale proceeds are generally considered program income *(24 CFR 570.502)*
- **Management** *(2 CFR 200.313)*
  - Maintain detailed equipment records
  - Conduct physical inventory and reconcile at least every 2 years
  - Establish controls to prevent loss, damage, or theft

★ Refer to subaward agreement for specific requirements

**Equipment Tracking**

- ✓ Description of equipment or real property, including the serial number or another identification number
- ✓ Source of funds
- ✓ Who holds the title
- ✓ Acquisition date and cost
- ✓ Percentage of federal participation in project cost
- ✓ Location, use, and condition
- ✓ Disposition data

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# Subawards

| Determination of relationship: Subrecipient or Contractor | Risk Assessment | Formation and issuance of subaward agreement | Post-award monitoring |
| --- | --- | --- | --- |
| 2 CFR 200.331 | 2 CFR 200-332(b)-(c) | 2 CFR 200.332(a) | 2 CFR 200.332(d)-(h) |

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## Recordkeeping Requirements

- Records must be *accurate, complete, and orderly*
- 24 CFR 570.506 outlines many documentation requirements
- Subrecipient agreement will establish specific recordkeeping requirements
- Adopt document & record retention policies and procedures


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# Categories of Records

## Administrative

- ❑ Grant application
- ❑ Subaward agreement
- ❑ Approved budget
- ❑ Communications with grantee
- ❑ Internal controls
- ❑ Record keeping policy
- ❑ Conflict of Interest Policy
- ❑ Other program-specific policies

## Financial

- ❑ Budget (e.g., grant project ordinance)
- ❑ Authorizations
- ❑ Obligations/expenditures
- ❑ Interest
- ❑ Program income
- ❑ Payment drawdowns
- ❑ Contracts
- ❑ Source documents (Pos, invoices, bid records)
- ❑ Chart of accounts
- ❑ Journals and ledgers
- ❑ Payroll records

## Program

- ❑ Eligibility determinations
  - ❑ Project description
  - ❑ Beneficiaries
- ❑ National objective
- ❑ Compliance with cross-cutting requirements
- ❑ Real property transactions and supporting documents

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# Areas of Compliance

- Eligible activities and beneficiaries
- National objectives
- Tieback to disaster
- Financial management
- Internal controls
- Compliance with program policies and procedures
- Duplication of benefits
- Cross-cutting federal requirements
- Recordkeeping
- Additional terms included in subrecipient agreement

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How can we ensure compliance will all these rules?

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# Internal Control
2 CFR 200.303

Internal controls are the system, processes, and procedures designed to promote:

- effective business operations,
- accurate recordkeeping, and
- compliance with governing laws, regulations, and policies.

**New requirement: Take reasonable cybersecurity measures to safeguard information.

Internal Control Adoption Process

- Management to establish system of internal controls
- Risk assessment
- Implement control activities
- Communicate expectations to staff
- Monitor control system

Internal controls **should** be modeled after the guidance in the Standards of Internal Control in the Federal Government (the Green Book) or the COSO Framework.

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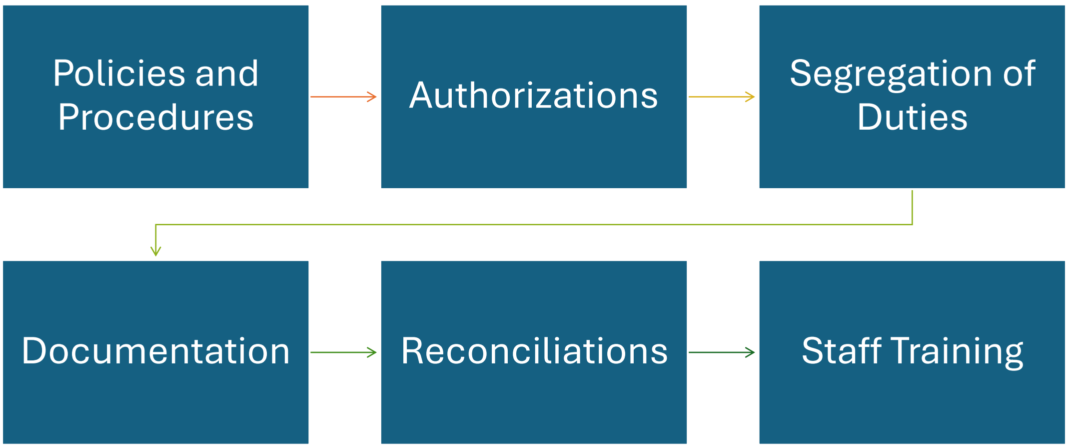
# Internal Control Activities

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## What may we do now to prepare?

**Project Planning**

- Conduct needs assessment to identify and prioritize unmet recovery needs
- Identify possible project location(s)
- Align proposed project with a direct/indirect "tie-back"
- Confirm the project meets a CDBG national objective
- Coordinate efforts and communicate with stakeholders

**Administrative Planning**

- Evaluate capacity to prepare grant application
- Consider technical assistance needs
- Draft or revise policies to reflect CDBG-DR rules (procurement/conflict of interest, etc.)
- Establish grant management and oversight systems
- Adopt internal controls

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# CDBG-DR Compliance

UNC SCHOOL OF GOVERNMENT

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