

City of Orem

Community Development

Block Grant Program

Policies and Procedures
Updated and Approved
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INTRODUCTION

The City of Orem receives a yearly Community Development Block Grant (CDBG) entitlement grant from the US Department of Housing and Urban Development (HUD). Orem's participation in the CDBG program is administered by the Community Services Division under the City Manager's office. To continue participation in this program, the City contractually agrees with HUD to implement the Housing and Community Development Act of 1974 and related CDBG program regulations in 24 CFR 570. All CDBG awards are subject to the regulations detailed in 2 CFR Part 200.

The City of Orem has utilized CDBG funds to provide public services for low to moderate income residents, to improve community facilities and services, for code enforcement, to revitalize neighborhoods, to expand affordable housing, and to expand economic opportunities that benefit low/moderate-income persons. The City must use at least 70% of the entitlement for activities that either directly benefit low/moderate-income persons or serves an area where the majority of the residents are low/moderate-income.

This manual applies to all CDBG funds awarded by the City of Orem and contains the policies and procedures governing the administration of the City of Orem CDBG program by Community Services staff. The manual is subject to public review and is regularly updated as HUD regulations are revised and/or changed over time.

Please visit <https://orem.org/cdbg/> or visit the following office location for further information on City of Orem CDBG and current projects:

City of Orem Recorder's Office
56 North State Street
Orem, UT 84057

CDBG PROJECT ELIGIBILITY, SELECTION POLICIES, AND PROCEDURES

The following policies and procedures govern the City of Orem CDBG award process. The City of Orem has prepared these policies and procedures to ensure that the U.S. Department of Housing and Urban Development (HUD) funds are targeted towards projects of greatest need and impact and that funded activities meet federal eligibility and national objective requirements.

Citizen Advisory Commission

To help assure full and active citizen involvement in the Community Development Program, the Mayor, with the advice and consent of the City Council, will appoint seven persons to a CDBG Advisory Commission (CAC), each to serve a three-year term (with reappointment possible). The terms are staggered and are filled throughout the year as they become open. One member of the commission will be selected, by their peers, to be the Chair.

In making appointments to the Advisory Committee, the Mayor and City Council will do their best to have representation from various groups throughout the community. This includes low- to moderate-income neighborhoods, those with disabilities, minorities, and others.

The CAC will meet each spring to review, score, and rank applications (this process is described later in this chapter) and make funding recommendations to the City Council. The CAC will also meet in the summer and as needed to approve changes to the CDBG program and policies, address any program concerns, provide feedback to staff on program implementation, and identify community needs and priorities for the upcoming fiscal year.

NOTICE OF FUNDING AVAILABILITY

To begin the project application and selection process for an upcoming fiscal year, the Community Services staff publicize a notice of funding availability (NOFA) each fall to the NOFA mailing list, which is distributed by the Continuum of Care and other entities. A distribution list is maintained by staff to reach as many potential applicants as possible, and no groups or individuals are intentionally excluded from receiving the notice. The notice includes the approximate amount of funding available for the upcoming fiscal year, general program information, contact information for inquiries, and the date, time, and location of a *How to Apply* workshop. Attendance at this workshop is mandatory when significant program changes are anticipated (ex: new program requirements, change to application formats or submission, etc.), and will be advertised as such. The workshop is also mandatory for first time potential applicants, for past applicants who have underperformed in managing CDBG awards, and for applicants who may need additional technical assistance during the application process, as determined by CDBG staff.

How to Apply Workshop

The *How to Apply* workshop introduces potential applicants to the basic requirements of the CDBG program, including federal, regional, and city-specific requirements, and sets expectations for applicants and future subrecipients. The workshop also enables Community Services staff to become familiar with potential applicants and projects. Project eligibility and national objectives, two crucial federal requirements, are reviewed at the workshop.

PROJECT SELECTION AND FUNDING APPROVAL

Application Process

The application process provides multiple opportunities for applicants and Community Services staff to review project eligibility. After the *How to Apply* workshop, pre-applications are required by any organization interested in submitting an application to the CAC for CDBG funding. This *pre-application* (completed in the online grant management software) includes a project description and estimated budget. The Community Services staff perform a preliminary review to ensure that the proposed project meets a community need identified in the Consolidated Plan, is eligible under the CDBG program, and is

likely to meet a national objective.

If an organization's pre-application is approved by CDBG staff, a site visit is scheduled, during which Community Services staff will discuss the proposed project in more depth with applicants, ensure that the site is compatible with the activity, and answer questions from the applicant. An *Initial Site Visit Guide* is used to guide the discussion and, again, review eligibility and national objective criteria. These early screenings do not guarantee project approval, but help ensure that applicants have eligible projects before they submit applications and attend interviews with the CAC.

Project Selection and Approval

After Community Services staff determine that an applicant is eligible for CDBG funding, full applications are completed and applicant interviews are scheduled in the spring to allow the CAC to meet with applicants to review and discuss their applications in greater detail. Every applicant is required to attend and is allotted a set, uniform amount of time to present their application. The CAC scores and ranks each application and sends recommendations to the Orem City Council for public hearing and approval.

Public services projects and applicants (unless they are city or county specific projects) are interviewed and recommended for funding by a *Regional Public Services Committee (RPC)* consisting of two members of the CAC (selected by the CAC at their summer meeting) and representatives from Provo and Orem cities. RPC recommendations are then approved by the CAC and sent to the Orem City Council for public hearing and approval. Each jurisdiction (Utah County, Provo City, and Orem City) has committed to allocate a minimum of 10 percent of its CDBG allocation to regional public services projects, and each may choose to allocate up to the maximum allowed proportion of 15 percent of the CDBG grant for the year. These allocations are determined in advance of the RPC interviewing applicants, so that the committee is aware of the total amount of funding available prior to reviewing and selecting projects. Each jurisdiction is then assigned specific approved projects to monitor and oversee throughout the program year. Beneficiary reports for public services projects are provided by subrecipients separately for each jurisdiction.

Scoring and Ranking

Funding is awarded based on project score and ranking. The CAC and RJC approves the scoring criteria annually for the upcoming fiscal year. These criteria include considerations such as project need, organizational capacity to complete the project, project timeline and readiness, past performance, low- and moderate income benefit, and other leveraged funds. The scoring criteria is provided to applicants during the application process.

The CAC and RJC may recommend awarding less funding than the application request based on overall community needs and CDBG funding available. Only CAC and RJC members with voting rights have the authority to decide which projects are recommended for funding and at which amounts. When a conflict of interest, either real or perceived, is discovered by a CAC or RJC member, they are obligated to disclose it to the committee in a timely manner. CAC and RJC members representing current applicants must abstain from voting on their application in the funding process.

ELIGIBILITY DETERMINATION AND DOCUMENTATION

The Community Services staff uses these procedures in conjunction with HUD's "Guide to National Objectives & Eligible Activities for Entitlement Communities" to determine project eligibility and ensure proper documentation. The policies and procedures also enable staff to properly qualify activities and record compliance for CAC and RJC recommendation, City Council public hearing and approval, and in advance of the City of Orem submitting Annual Action Plans to HUD.

After the CAC and/or RJC recommends an application for funding and before the Annual Action Plan is submitted to HUD, Community Services staff will follow the procedure described below to officially review project eligibility and national objective criteria. Using the *Proposed Activity Worksheet* ("Worksheet"), the Community Services staff writes a clear description of the activity and proceeds through the *Worksheet*.

The first step is to determine if the activity is included within the listing of eligible activities in the CDBG statute, as amplified by regulation.

The second step is to determine if the proposed activity falls within a category of explicitly ineligible or prohibited activities, despite its apparent inclusion within an authorized category.

The third step is determining if the proposed activity meets one of the national objectives of the program. Both national objective criteria and records to be maintained for compliance are described in these procedures.

The fourth step is to ensure that carrying out the activity with CDBG funds will not result in the City of Orem violating its certification that at least 70% of CDBG expenditures will be for activities that are considered to benefit low- and moderate-income persons over the certification period.

In addition to the above four steps, the Community Services staff recognize that activities must also satisfy other Federal requirements. The *Proposed Activity Worksheet* identifies such requirements.

To carry out these procedures, staff expect to refer not only to the HUD Guide, but to all other available sources and to keep abreast of changes with the assistance of the HUD field office.

STEP #1 ELIGIBILITY

The purpose of this step is to ensure that, in accordance with federal law, the City of Orem will use CDBG funds only for activities that fall under an authorized category of basic eligibility, properly classify the activity, and provide adequate documentation as required by the chosen category for each such activity. In addition to conforming to the law, correctly determining eligibility also sets up other requirements and actions. For example, the classification of an activity by one of these categories can place on it specific statutory or regulatory requirements that are not applied to other categories. A listing of eligibility categories appears in numerous sources including HUD's "Guide to National Objectives & Eligible Activities for Entitlement Communities". Use of these procedures is facilitated by reference to the HUD Guide.

The Community Services staff will examine the complete listing and refer as necessary to the corresponding pages of the Guide for detailed information. The category that best fits the proposed activity will be identified on the *Worksheet* or through an online form in the grant management software. The appropriate matrix code is chosen using "Appendix A - CDBG Matrix Codes"

After classifying the eligible activity, the Community Services staff will determine if the use of CDBG funds relates to one or more examples of allowable costs contained in the appropriate section of the HUD Guide. For example, the category of eligible code enforcement activities states that "CDBG funds may be used to pay the salaries of inspectors enforcing codes in a blighted area being renewed through comprehensive treatment." In this example, the Community Services staff will indicate on the *Worksheet* that the proposed use of CDBG funds is an allowable cost.

The Community Services staff will also record any additional considerations stipulated by CDBG rules,

such as conformity to the public services cap or public benefit standards. These considerations will be noted in the *Worksheet*.

LISTING OF ELIGIBLE ACTIVITIES CATEGORIES (HUD GUIDE)

Acquisition of Real Property 2-3

Disposition 2-9

Public Facilities and Improvements 2-11

Clearance 2-18

Public Services 2-22

Interim Assistance 2-29 7

Relocation 2-33

Loss of Rental Income 2-35

Privately-Owned Utilities 2-36

Rehabilitation 2-38

Construction of Housing 2-47

Code Enforcement 2-51

Special Economic Development Activities 2-55

Microenterprise Assistance 2-63

Special Activities by CBDOs 2-66

Homeownership Assistance 2-73

Planning and Capacity Building 2-75

Program Administration Costs 2-77

Miscellaneous Other Activities 2-82

STEP #2 PROHIBITION

The purpose of this step is to prevent the City of Orem from using CDBG funds for activities that are prohibited under HUD rules or other laws. Even though an activity may appear to be eligible, it may be prohibited. The Community Services staff recognizes that program regulations identify certain activities as categorically ineligible. They also identify certain other activities that are ineligible unless they are carried out by certain organizations, such as a CBDO under the authority of §570.204.

The Community Services staff will refer to the HUD Guide beginning on Page 2-87 to determine if the described activity falls within any category of ineligible or prohibited activities. Assuming that the activity is not identified as either "categorically ineligible" or "generally ineligible," that conclusion will be recorded in the *Worksheet*.

If any doubt exists about the above conclusion, the Community Services staff will engage in further consultations with the appropriate local and Federal officials.

STEP #3 NATIONAL OBJECTIVES

The purpose of this step is to determine if a proposed activity meets one of the national objectives of the CDBG program. As the Community Services staff establishes that a proposed activity is eligible and not otherwise prohibited, they will also address the program's national objectives.

The Community Services staff will determine if the activity described in the *Worksheet* meets the criteria for one or more of the national objectives of the CDBG program, with the exception of activities carried out under the basic eligibility categories. The three national objective are as follows:

- Benefiting low- and moderate-income persons (Low-and moderate-income persons (LMI));
- Preventing or eliminating slums or blight (Slum & Blight); or
- Meeting other community development needs which have a particular urgency because existing

conditions pose a serious and immediate threat to the health or welfare of the community and other financial resources are not available to meet such needs (Urgent Need National Objective).

An activity that fails to meet tests for this national objective will generally not be considered for funding. Exceptions will be reviewed by the Community Services staff and approved by the CAC.

Because this action is complicated by different tests for qualifying eligible activities, this procedure will use National Objectives Tables provided in the HUD Guide. A separate table appears in Chapter 2 of the Guide for each eligible activity – the first appearing on Page 2-6. Identifying the proposed activity, the Community Services staff will consider how an activity will benefit the City of Orem, refer to an appropriate National Objective Table, and select the test (criterion) for qualifying the activity.

The *Worksheet* records what national objective the activity supports as well as which one of the criteria it satisfies. The selected criterion will determine the method of documenting compliance with the national objective requirement. The criteria is summarized below.

National Objective Criteria

Benefit to Low- and Moderate-Income Persons

- Low/Mod Area Benefit
- Limited Clientele Benefit
- Low/Mod Housing Benefit
- Job Creation or Retention

Aid in the Prevention or Elimination of Slums or Blight

- Area Basis
- Spot Basis

An Urgent Need

- Needs having a Particular Urgency

After indicating which national objective the proposed activity supports, the Community Services staff will describe records that evidence compliance. The HUD Guide will serve as the key reference. According to how the activity is qualified, the Community Services staff will find that category and sub-category of criteria. A helpful table of contents appears on Page 3-2 of the Guide.

Generally, low- and moderate-income surveys are performed for projects providing an area benefit to determine if they meet the LMI threshold required by the “benefitting low- and moderate-income persons” national objective. Although HUD provides LMI Summary Data for grantees to use in determining compliance with this national objective, the data are not current enough to reflect the significant population growth occurring in the City of Orem. The Community Services staff will follow the guidance found in CPD Notice 14-013 to develop acceptable survey methodologies. Applicants are given instructions and applicable forms to complete the survey prior to submission of their application. Any project with survey results that do not meet the 51% LMI threshold are not considered for funding.

Applicants whose projects meet the low/mod limited clientele criteria report past beneficiary data in their application to determine if they meet the 51% threshold. They are then required to submit income (if not presumed eligible) and residency documentation with each report and/or reimbursement request after a grant is awarded and activities are being undertaken. Any project not meeting the 51% LMI threshold will not be awarded a grant. If a subrecipient was awarded a grant based on prior year LMI data, but can no

longer meet the threshold with current clientele reporting, they will not be reimbursed through the CDBG program.

STEP #4 OVERALL BENEFIT

The purpose of this step concerns the required level of expenditures made for activities that meet the LMI Benefit national objective. Consistent with the primary objective of the Housing and Community Development Act of 1974 as amended, the City of Orem certifies that, in the aggregate, at least 70% of CDBG funds expended during the certification period will be for activities meeting the LMI Benefit national objective.

The City of Orem therefore must report a percentage of total expenditures that complies with this requirement. To ensure that a proposed activity will not result in a violation of this critical standard, these procedures examine the effect of adding the activity to the City of Orem CDBG program. Two detailed actions will help ensure future compliance.

The Community Services staff will document the expenditure of CDBG funds for the proposed activity over the certification period in the *Worksheet*. A calculation of overall expenditure benefit of all proposed activities is then completed to ensure that an activity does not cause a violation of the certification. Chapter 4 of the HUD Guide provides instructions for making this computation.

In addition to the four steps summarized above, the City of Orem recognizes that activities must also satisfy other Federal requirements detailed in OMB Circulars or separate Federal laws and that it must perform related environmental review and clearance procedures in advance of implementation. The Community Services staff will identify these applicable requirements in the *Worksheet*. This action will alert other officials to necessary compliance actions in the future.

Upon completion of these procedures by the Community Services staff, the staff will review and certify the information in the *Worksheet*. The completed *Worksheet* will be placed in the project administration file and be provided to the subrecipient their file.

To carry out all of these procedures, the Community Services staff will refer as necessary to the complete HUD Guide, the CDBG Regulations, and references for the other Federal requirements. The Community Services staff will seek guidance from the HUD field office in interpreting or applying requirements to different factual situations. Because program requirements may change, staff will stay in close contact with the field office to keep abreast of HUD's latest guidance.

OTHER POLICIES

To be eligible for funding consideration, applicants must have expended at least 50% of any prior year CDBG funding before the application deadline for the upcoming fiscal year.

As a general rule, the minimum allocation per project is \$5,000. Exceptions may be granted by the CAC and Community Services staff on a case-by-case basis.

The CAC may establish a set-aside for project applications in a broad category on an annual basis based on the City's needs identified in the Consolidated Plan. For any such set-aside(s), information will be provided to eligible city departments and organizations regarding the type and amount of the set aside(s) and the rating and ranking policies to be applied prior to the commencement of the application process. Set asides will be determined at the annual summer CAC meeting.

Multi-year funding for projects will generally not be awarded unless a specific request for multi-year

status is received from the project applicants based on defined project needs, and the amount and timing of future funding available can be adjusted to meet such a request.

Previously allocated funds that become available to the City of Orem will be reallocated by the CAC. Possible distribution could be the next highest ranking project, spread over some or all funded projects, rolled over into the next annual allocation, or some other means.

CITY OF OREM DRIVEN PROJECTS

The Community Services staff will work with City management and departments to determine project yearly requests (non public services) for city driven projects (i.e. capital improvement, code enforcement, critical home repair, etc.). The Community Services staff will complete applications in grant management software. These requests/applications will be handled similar to the process stated above with the CAC reviewing, ranking, and scoring the applications, listening to presentations, interviewing city department representatives, and making funding recommendations to the City Council for approval. The applications will be vetted using the same four step process listed above.

INCOME DETERMINATION

In order to ensure that CDBG funding primarily benefits Low- and Moderate-Income (LMI) persons, HUD requires that at least 70 percent of CDBG funds spent on activities other than program administration qualify under the “Benefit Low- and Moderate-Income Persons” National Objective. The LMI National Objective can be met in the following four ways: Low/Moderate Limited Clientele (LMC), Low/Moderate Housing (LMH), Low/Moderate Area Benefit (LMA), and Low/Moderate Jobs (LMJ). To be considered LMI, a household must have an income equal to or less than 80% of the Area Median Income (AMI), as established by HUD and updated regularly, adjusted for family size, demonstrated by the Adjusted Gross Income (AGI) on tax form 1040. It is crucial that the most current income limits are always used. A key part of meeting the 70 percent threshold is properly determining and documenting the income of persons benefiting from CDBG-funded projects, in accordance with 24 CFR 570.208. This section will outline the City of Orem CDBG policies and procedures for determining and documenting income in each of the four subcategories of the LMI Benefit National Objective.

LOW- AND MODERATE-INCOME LIMITED CLIENTELE (LMC)

An LMC activity provides benefits to a specific group of persons who directly use the CDBG-funded service or facility, rather than to everyone in a particular geographic area. To meet the LMC National Objective, at least 51% of the beneficiaries of each activity must be members of LMI households.

Certain groups have been established by HUD as “presumed eligible”. Those groups include: abused children, battered spouses, elderly persons, adults meeting the Bureau of the Census’ Current Population Reports definition of “severely disabled,” homeless persons, illiterate adults, persons living with AIDS, and migrant farm workers. Activities that exclusively serve a group of people in any one or a combination of these categories may be presumed to meet the criteria of the LMC National Objective.

In addition, activities which have income eligibility requirements that limit the activity exclusively to LMI persons or activities of such nature and in such a location that it may be concluded that the activity’s clientele will primarily be LMI persons will qualify under the LMC National Objective. Such “nature and location” documentation will be maintained by the subrecipient in the subrecipient project file and describe how the nature and the location of the activity establishes that it will be used predominantly by LMI persons. For these activities, in which it can be reasonably concluded that the clientele will primarily be LMI persons, the Community Services staff will carefully examine such activities and the reasoning behind them before attempting to meet the LMC National Objective in this manner.

Finally, all other activities which benefit a limited clientele must demonstrate that at least 51 percent of beneficiaries are LMI persons by documenting information on family size and income so that it is evident that at least 51 percent of the clientele are persons whose family income does not exceed the low- and moderate-income limit. Appropriate documentation shows the size and annual income of the household of each person receiving the benefit through HUD’s acceptable documents, which include an annual income certification, IRS Form 1040, or annual income reported on the American Community Survey or long form Decennial Census. City of Orem CDBG will document income for the LMC benefit by having each client sign a certification indicating their household size and income, which includes an agreement that documentation of all income sources will be provided upon request. The City of Orem CDBG defines income as the Adjusted Gross Income (AGI) on tax form 1040. The subrecipient will request documents from at least 20 percent of beneficiaries who have self-certified their household size and income to ensure accurate reporting of annual income.

Income documentation is not required for recognized “presumed eligible” limited clientele groups (no others may be served outside the “presumed LMI” group(s)). These groups must still verify residency in the City of Orem. Race and ethnicity information must also be provided.

LOW- AND MODERATE-INCOME HOUSING (LMH)

The LMH National Objective subcategory is used when an activity assists in the acquisition, construction, or improvement of permanent, residential structures (including homeownership assistance) and requires documentation showing that the housing is actually occupied by LMI persons upon completion of the activity.

Housing may be rented or owner-occupied and may be single family or multi unit. When the housing is to be rented, the unit must be occupied by an LMI Household at affordable rents. Rents are generally defined as affordable when a household which is LMI (has an annual income at or below 80 percent of the Area Median Income) pays no more than 30 percent of income for rent and utilities, the Community Services staff and the subrecipient(s) are responsible for verifying rent affordability, and must make these criteria public.

The following rules apply to LMI households occupying assisted housing under the LMH National Objective:

- All single unit structures must be occupied by LMI persons • All two-unit structures must have at least one unit occupied by LMI persons
- All structures (or apartment complexes) containing more than two units must have at least 51% of the units occupied by LMI persons

To ensure proper documentation of the LMH objective, the following documentation is required, pursuant to 24 CFR 570.506(b)(4):

- A copy of a written agreement with each landlord or developer receiving CDBG assistance indicating the total number of dwelling units in each multifamily structure assisted and the minimum number of those units which will be occupied by low- and moderate-income households after assistance. This requirement will be included in the subrecipient agreement for LMH projects.
- The total cost of the activity, including both CDBG and non-CDBG funds, to be included in the application budget by the subrecipient.
- For each unit occupied by a low- and moderate-income household or each LMI homebuyer assisted, the size and income of the household. This will be documented with an income self-certification form, as used in the LMC objective, and maintained in the subrecipient project file.
- For rental housing only:
 - The rent charged (or to be charged) after assistance for each dwelling unit in each structure assisted.
 - Such information as necessary to show the affordability of units occupied (or to be occupied) by low- and moderate-income households pursuant to criteria established and made public by the recipient
 - For each property acquired on which there are no structures, evidence of commitments ensures that the criteria in 24 CFR 570.208(a)(3) will be met when the structures are built.
 - Where applicable, records documenting that the activity qualifies under the special conditions regarding the new construction of nonelderly, multi-family housing that will have Low/Mod Income occupancy of less than 51 percent. This requires documenting that the portion of the project borne by CDBG funds is not greater than the proportion of units that will be occupied by LMI persons at affordable rents. Subrecipients shall submit such documentation with their subrecipient files.

LOW- AND MODERATE-INCOME AREA BENEFIT (LMA)

Activities that benefit all residents of a particular area will qualify under LMA if the area is primarily residential, as described in *Basically CDBG* 3-6, and the service area is shown to contain 51 percent or more LMI households.

First, the Community Services staff shall work with the subrecipient to determine the appropriate service area for the activity. If the service area reasonably coincides with one or more census tracts or block groups, then Census data available through HUD will be used to determine the income characteristics of the proposed service area, which must show 51 percent or more LMI households.

Where Census data does not reflect current relative income levels in an area, or where the area does not coincide sufficiently well with census boundaries, the subrecipient, in coordination with Community Services staff, may conduct a survey of the residents of the area. The subrecipient must ensure that the survey meets the standards found in HUD Notice CPD-14-013: Guidelines for Conducting Income Surveys to Determine the Percentage of LMI Persons in the Service Area of a CDBG-Funded Activity.

The following documentation will be kept by the Community Services staff to demonstrate compliance with all regulations for the LMA National Objective:

- The boundaries of the service area.
- The income characteristics of families and unrelated individuals in the service area; and
- If the percent of low- and moderate-income persons in the service area is less than 51 percent, data showing that the area qualifies under the exception criteria set forth at 24 CFR 570.208(a)(1)(ii), which states that the proportion of LMI persons in the census block group is within the highest quartile of all census block groups in the recipients jurisdiction in terms of proportion of LMI persons. Additional information regarding the calculations for this exception are found in the regulation listed above.

LOW- AND MODERATE-INCOME JOBS BENEFIT (LMJ)

An LMJ activity creates or retains permanent jobs, at least 51 percent of which, on a full-time equivalent (FTE) basis, are either held by LMI persons or are considered to be available to LMI persons. The LMJ National Objective is usually associated with economic development activities.

Subrecipients will abide by the following policies when calculating the number of jobs created or retained in association with a CDBG-funded activity:

- Part-time jobs must be converted to full-time equivalents (FTE) (A calculator for determining FTEs is found at <https://www.healthcare.gov/shop-calculators-fte/>);
- Only permanent jobs count—temporary jobs may not be included;
- Seasonal jobs are considered to be permanent for this purpose only if the season is long enough for the job to be considered as the employee's principal occupation;
- All permanent jobs created or retained by the activity must be counted even if the activity has multiple sources of funds; and
- Jobs indirectly created or retained by an assisted activity (i.e., "spin off" jobs) may not be counted. Definition of job retention is found under "D. Job Retention" at https://www.hud.gov/program_offices/comm_planning/communitydevelopment/rulesandregs/memoranda/edguid87

The Community Services staff will retain documentation showing which jobs were actually created and retained, whether each such job was held by, taken by, or made available to a LMI person, and the full-time equivalency status of each job in order to ensure proper qualification of the LMJ National Objective. All required documentation and necessary content of written agreements is contained in 24 CFR 570.506(b)(5), (6), and (7). Sufficient documentation may vary widely based on the nature of the project.

Please see the regulations at 24 CFR 570.506.

The Community Services staff will retain income determination documentation and LMI National Objective documentation for a minimum of 4 years from the end of the program year and the Community Services staff and subrecipients will hold individual income records or other personal information in strict confidence by maintaining the records in locked cabinets or secure online servers which are only accessible to authorized employees, both through the duration of the project and when the documents are for record retention as per the City's Protection of Personally Identifiable Information(PII) policy.

FINANCIAL MANAGEMENT

The CDBG Program utilizes federal funding allocated to the City of Orem, as an entitlement jurisdiction, each year in its efforts to meet community needs and national objectives. The proper use and management of CDBG funds is critical to ensuring program effectiveness and continued good standing with HUD to receive future CDBG funding. The City of Orem completes a single annual audit (via an independent auditor) of all programs and departments, in accordance with federal regulations. The City of Orem also has robust internal controls and procedures which will be summarized and described in the context of the CDBG program in this chapter. This chapter will also outline the City of Orem's policies ensuring compliance with all applicable federal regulations in the administration of its CDBG program.

In addition to the single annual agency audit, the City of Orem's Accounting Division Manager submits a line item budget and summary report monthly to Community Services staff. These records are kept in the CDBG Program Administration Project File. These reports also contain information regarding mileage, supplies, travel, etc.

ADMINISTRATIVE AND PLANNING COSTS

Administrative and planning costs generally constitute 15% of the CDBG contract amount and may not exceed 20% (24 CFR 570.200(g) and Section 105(a)(13) of the Housing and Community Development Act of 1974).

Examples of eligible administrative costs include:

- Salary and benefits of Community Services staff
- General management, oversight and coordination;
 - Providing local officials and citizens with information about the CDBG program;
 - Preparing budgets and schedules
 - Preparing reports and other HUD-required documents; and
 - Monitoring program activities
- Fair Housing activities
- Indirect costs; and
- Submission of applications for Federal programs

Examples of eligible planning costs include:

- Comprehensive plans;
- Community development plans (including the Consolidated Plan);
- Functional plans (for housing; land use and urban environmental design; economic development; open space and recreation; energy use and conservation; floodplains and wetlands management; transportation; utilities; historic preservation; etc.);
- Other plans and studies (e.g., small area and neighborhood plans; capital improvements program plans, individual project plans; general environmental; urban environmental design; historic preservation studies; etc.); and
- Policy planning, management and capacity building activities. Administrative and planning costs must be supported by proper documentation.

Documentation for City of Orem CDBG planning and administrative costs will be kept in the form of online timesheets through the City's HR Portal and google tracking forms, with the applicable account codes indicated therein.

Other funds must be used for additional administrative costs if necessary. Funds may not be used to administer other federal or state grant programs, which may be conducted in conjunction with a CDBG project. Payrolls must be supported by time and attendance records for individual employees. Salaries and wages of employees

chargeable to more than one grant program or other cost objectives must be supported by appropriate time and distribution records. The City of Orem Finance Manager provides monthly reports to Community Services staff of expenditures.

Subrecipients receiving funds for planning activities must provide documentation of costs of carrying out the activity. This documentation is required in the reporting and reimbursement request process, before funds are distributed. Funds used under this category by subrecipients are subject to the statutory limitation on planning and administrative costs.

PRE-AWARD COSTS

If the City of Orem's CDBG Grant Agreement with HUD be finalized after the beginning of the Program Year (July 1), which could cause award recipients to delay beginning their proposed activities, the City will authorize award recipients to begin delivery of their services and other project activities, related to and included in the Annual Action Plan, beginning July 1 or the date the subrecipient agreement is executed if it is after July 1. These costs are necessary for efficient and timely performance of all proposed program year projects. All other requirements for the expenditure of CDBG before Grant Agreements are signed will be completed.

As authorized by 24 CFR 570.200(h) and 24 CFR 92.212(b), City of Orem may plan to expend pre-award costs prior to the execution of the applicable fiscal year's Community Development Block Grant (CDBG) Agreement. The use of these funds will not affect future grants.

FLOAT-FUNDED ACTIVITIES

The City of Orem's CDBG Program, as a policy, does not engage in float-funded activities. The grantee cannot use the amount of funds available in the line of credit to fund an alternate eligible activity.

REVOLVING FUNDS

CDBG funds may be used by both the City of Orem and subrecipients for revolving funds.

LUMP SUM DRAWDOWNS

The City of Orem CDBG Program, as a policy, does not utilize lump sum drawdowns. HUD Grantees are unable to draw CDBG funds in a lump sum to establish a rehabilitation fund in one or more private financial institutions to finance rehabilitation activities.

TIMELY EXPENDITURE OF FUNDS

The Community Services staff shall reimburse subrecipients, then submit for reimbursement with CDBG funds from the Treasury for its expenditure of funds for CDBG activities. Drawdowns shall be conducted not less than annually for each project and may be conducted as frequently as monthly to meet business needs.

Subrecipients are required to expend and seek reimbursement for at least 50% of their grant award prior to submitting an application for next program year funding. Additionally, each December the program manager will run a PR 56 (CDBG Timeliness Report) through IDIS to review any timeliness issues. If a subrecipient is failing to expend funds in a timely manner, the Community Services staff will contact subrecipients to resolve issues preventing timely expenditure.

Any subrecipient unable to complete a project by the agreement deadline must submit an agreement extension request, in writing via email, to the Community Services staff requesting an extension and providing justification for delay of project completion and expenditure. If an extension is warranted, the Community Services staff with approval from the City Attorney's Office will prepare an agreement

extension and submit it to the Deputy City Manager for approval.

PROGRAM INCOME

Program income is defined as any funds accruing to a city department or subrecipient as a result of using CDBG resources. Examples include loan payments for critical home repair loan or economic development loan, rental fees from the use of a community facility, sale proceeds from purchased equipment or property, and fees charged for services funded by program resources. City departments and subrecipients are required to keep records of the sources of program income in addition to reporting unanticipated program income as soon as possible. The use of all program income must be documented. Program income may be used to support the operation of a CDBG assisted activity, however, this must be preapproved through Community Services staff. Program income not used to continue or benefit the original CDBG activity shall be returned to the program.

UNIFORM ADMINISTRATIVE REQUIREMENTS - 2 CFR PART 200 2 CFR Part 200 contains the Uniform Administrative Requirements for recipients of federal awards, such as CDBG. The City of Orem is committed to compliance with all stipulations of this statute and providing documentation to affirm compliance. The specific requirements of 2 CFR Part 200 are addressed throughout this policy and procedure guide, including:

- Grant Written Agreements
- Notice of Funding Availability
- Review of proposals and risk of applicants
- Standard application requirements
- Public access to CDBG award and program information
- Suspension and debarment
- Performance measurement
- Financial management, including internal controls, allowed costs, procurement standards, financial reporting, pass-through entities, cost principles, and auditing
- Subrecipient monitoring
- Record retention
- Closeout

Please see the applicable chapters addressing the above requirements (including this chapter for financial management policies) for details regarding the policies and procedures of requirements listed above.

COST PRINCIPLES AND COST ALLOWABILITY

City of Orem CDBG adheres to the requirements of 2 CFR Part 225 for determining cost allowability. The following general criteria are used to determine whether a cost is allowed under CDBG. A cost must:

- Be necessary and reasonable for proper and efficient performance and administration of the federal award;
- Be authorized or not prohibited under state or local laws or regulations;
- Conform to any limitations or exclusions set forth in 2 CFR Part 225, federal laws, terms and conditions of the federal award, or other governing regulations as to types or amounts of cost items;
- Be consistent with policies, regulations and procedures that apply uniformly to both federal awards and other activities of the governmental unit;
- Be accorded consistent treatment; a cost may not be assigned to the CDBG program as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the program as an indirect cost;

- Be determined in accordance with generally accepted accounting principles;
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federal award in either the current or a prior period, except as specifically provided by federal law or regulation;
- Be the net of applicable credits (that is, any credits such as discounts or price adjustments must be deducted from the total costs charged); and
- Be adequately documented.

City of Orem utilizes a system of multiple approvals by Community Services staff, City Management, and accounting staff to ensure allowability of costs prior to funds being expended or checks being cut. Please refer to the internal controls section below for further information.

COST ALLOCATION

Costs incurred in the CDBG program that are charged to CDBG must be allocable to the program. This is the case when a cost is treated consistently with other costs incurred for the same purpose in similar circumstances (costs must be treated consistently across the program). When a cost benefits other, non-CDBG work, it must be able to be reasonably distributed in proportion to the benefits received. Lastly, a cost is allocable to CDBG when it is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown.

Costs that are allocable to CDBG may not be charged to other federal awards, and it is City of Orem's policy to ensure that this does not happen by utilizing account codes and multiple steps of approval and allocation, as described in further detail under the internal controls section.

Several City of Orem staff members dedicate portions of their work time to the City of Orem CDBG program. Timesheets for the agency facilitate the separation of time allocated to CDBG with time allocated to other programs by listing the funding source and associated hours on the timesheet.

The following City of Orem staff positions are involved in the CDBG program:

- Community Services Manager and staff
- Deputy City Manager
- Economic Development Division Manager
- Economic Development Analyst
- Accounting Division Manager
- Accounting staff

The City of Orem CDBG processes federal funds to subrecipients on a reimbursement basis. It is the policy of City of Orem and subrecipients of the CDBG program to provide documentation of cost at the time of a reimbursement request. This is done to ensure both allowability and proper allocation prior to the disbursement of funds.

INDIRECT COSTS

It is the policy of the City of Orem CDBG to allocate indirect costs as a portion of planning and administrative costs. This allocation ensures that CDBG funds are used to directly benefit the community and meet national objectives to the greatest extent possible. It is the policy of the City of Orem CDBG program not to reimburse sub-recipients for indirect costs.

STANDARDS FOR FINANCIAL MANAGEMENT SYSTEMS

In accordance with 24 CFR part 200, City of Orem has high standards of accountability and processes in place which ensure that its financial management systems comply with statutory requirements. The City of Orem's internal controls, quarterly CFO report, and timesheet process provide effective control over and

accountability for all funds, property, and other assets. In addition to these measures, the CDBG program's application process including project budgets, reimbursement process, and regular financial reporting ensure that the source and application of funds from the CDBG award verify the allowability and allocation of costs.

The regular reporting schedule in place at City of Orem and the verification process at the time of a reimbursement request ensure the accurate, complete and timely disclosure of financial results in accordance with HUD reporting requirements, and minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement to the City of Orem.

INTERNAL CONTROLS

The City of Orem's internal controls have been established on a City level due to the nature of the entitlement, which receives various federal and state awards to accomplish its goals.

LEVEL OF AUDIT REQUIRED

The City of Orem receives and expends more than \$750,000 in federal awards in a year. Thus, a single audit of the entire agency's financial statements and federal awards is conducted on an annual basis, in accordance with 2 CFR Part 200.

SCOPE OF AUDITS

Audits performed for grantees and subrecipients of federal funds must be performed by an independent auditor in accordance with Government Auditing Standards and must be conducted in accordance with 2 CFR Part 200. Specifically, the City of Orem's annual audit conducted by an independent auditor covers three areas:

- Financial statements;
- Internal control; and
- Compliance with applicable laws and regulations

AUDIT REPORTS

An audit report is prepared at each annual audit by the independent auditor, in accordance with 2 CFR Part 200. The audit must be completed and the report submitted to the Federal clearinghouse designated by OMB within 30 days after receipt of the auditor's report(s), or 13 months after the end of the audit period. The grantee or subrecipient shall make copies available for public inspection. Copies of the audit report are subject to the same record retention requirements as other CDBG documents (a minimum of four years from the date of submission to the Federal clearinghouse).

AUDITOR PROCUREMENT

The auditor for the annual audit of all City of Orem programs is procured by the City of Orem for the entire agency; no separate procurement is performed for the CDBG program. This procurement is performed in accordance with City of Orem procurement policy.

AUDIT ALLOCATION

Independent audit costs will be allocated/charged to the CDBG program using cost information from the City's Request for Proposal (RFP) for audit services which requires the audit firm to detail the estimated costs associated with the City's Single Audit. Using this cost breakdown as a basis, the City will determine based upon the selection of major programs audited whether the fee outlined in the audit firm's RFP is applicable to the CDBG program or not.

If the CDBG program is not selected as a major program in a given fiscal year audit, then minimal or no charge will be applied to the program. However, if the CDBG program is selected as a major program, then the majority (if not all) of the audit firm's RFP cost estimate for the Single Audit will be used.

PASS-THROUGH RESPONSIBILITIES

The City of Orem, as the CDBG grantee, is a “pass-through entity” under 2 CFR Part 200, and must perform the following actions with respect to its subrecipients:

- Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, and name of Federal agency. When some of this information is not available, grantee shall provide the best information available to describe the Federal award. This identification is included in the subrecipient agreement.
- 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 (this information is provided as part of the Grantee Workshop).
- Monitor the activities of subrecipients as necessary to ensure that CDBG 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 2 CFR Part 200 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 the CDBG program records.
- Require each subrecipient to permit the City of Orem and auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with this part.

These responsibilities are addressed and accomplished through policies and procedures outlined elsewhere in this guide. These include:

- *How To Apply Workshop*
- *Grantee Workshop*
- Subrecipient agreements
- Desk monitoring in the reimbursement process
- Monitoring visits
- Quarterly reports from subrecipients
- Record retention policies

CHANGE OF USE

The standards described in this section apply to real property within the grantee’s control (including activities undertaken by subrecipients) that was acquired or improved, in whole or in part, using CDBG funds in excess of \$25,000. These standards shall apply from the date CDBG funds are first spent for the property until five years after final close-out of the grant from which assistance to the property was provided.

A grantee may not change the use or planned use of any such property (including the beneficiaries of such use) from that for which the acquisition or improvement was made, unless the grantee provides affected citizens with reasonable notice of and opportunity to comment on any proposed change, and either:

- The new use of the property qualifies as meeting one of the national objectives and is not a building for the general conduct of government; or
- The grantee determines, after consultation with affected citizens, that it is appropriate to change the use of the property to a use which does not qualify as meeting a National Objective, it may retain or dispose of the property for the changed use if the grantee’s CDBG program is reimbursed in the amount of the current fair market value of the property, less any portion of the value attributable to expenditures of non-CDBG funds for acquisition of, and improvements to,

- the property.
- Following the reimbursement of the CDBG program, the property will no longer be subject to any CDBG requirements.

Protection of Personally Identifiable Information (PII)

In the normal course of grant administration, the City of Orem CDBG Program may receive personally identifiable information (PII) , such as names, addresses, income verification documents, disability status, employment status, etc., from applicants and/or beneficiaries. CDBG and CDBG activities most likely to result in the City of Orem's receipt of PII include:

housing, direct emergency assistance, small business assistance, and public services. The City of Orem will take the following steps to protect personal identifiable information:

- Maintain hard copies of PII records in secure cabinets;
- Password protect electronic folders and/or files containing PII;
- Redact PII or utilize client ID numbers if safety or HIPAA concerns apply to protect confidentiality; and
- Filing cabinets and electronic passwords are shared with assigned staff only.

The City of Orem releases records containing PII upon request, after verification, by the following entities:

- Federal and state auditors
- Other federal or state agencies for duplication of benefits analyses If records containing

PII are subject to Freedom of Information Act or GRAMA Public records requests, such records shall only be released in accordance with state and federal law. All active City of Orem activity files are maintained in limited access areas. Office areas containing paper records are accessible to employees only. Electronic records are stored on restricted access shared drives supported by city servers. Community Services staff will be trained on the PII policy during the onboarding process for new staff. Subrecipients will learn about the important policy and requirements during the Grantee workshop.

INTERNAL TRACKING SYSTEM

The City uses the grant management software, Neighborly, to collect and track data for the Consolidated Annual Performance and Evaluation Report (CAPER). Reporting is kept on the Neighborly Cloud. The Community Services staff also maintains physical files with reporting documents (income verification and direct summary reports) for all subrecipient and city CDBG projects. Files are maintained both electronically and physically following the City's record retention policy.

VOUCHER RECONCILIATION

The City of Orem accounting department will provide a monthly reconciliation summary to the Community Services staff. The Community Services staff reviews the time summary and detailed documentation and completes the IDIS Voucher worksheet. Once the worksheet is completed, staff compares the monthly reconciliation summary and worksheet for consistency. staff then enters and prints receipts into IDIS for any program income and RLF payments. The staff also requests and prints vouchers in IDIS. staff sends an email to the Deputy City Manager to approve voucher requests in IDIS. staff also sends the City Finance Manager the amount of reimbursement to expect from HUD. The monthly reconciliation report, IDIS Voucher worksheet, voucher requests, and receipts are maintained in the City's CDBG Administration file. Detailed documentation for administrative costs and city capital projects are maintained by the City's finance department. Documentation for subrecipients and city public service expenditures are maintained in subrecipient files by Community Services staff.

IDENTIFICATION OF FEDERAL AWARDS AND PROGRAM INFORMATION

The City of Orem Finance Manager will ensure yearly that Federal program name, Federal identification

number, Federal award year, CFDA title and number are associated with appropriate funding activities in the City of Orem's general ledger and Annual Financial Report. The information will also be provided to subrecipients and be included in subrecipient agreements.

SOURCES AND USES OF FUNDS

The City of Orem budget is created and approved prior to the City's fiscal year beginning July 1st and doesn't correspond with the HUD approval timeline. To compensate for this, the City of Orem will make a budget amendment upon the HUD approval of the City's CDBG allocation so that the City's internal budget matches the CDBG Award allocation. Tracking is done through the City's accounting system with dedicated account numbers.

SUBRECIPIENT REIMBURSEMENT

The City of Orem Finance Department and Community Services staff will ensure that the subrecipient receives reimbursement within 30 calendar days after receipt of billing. Reimbursement process will be as follows:

- Subrecipient will submit an invoice with proof of expenses and payment through the Neighborly program or via email with reimbursement form along with quarterly reports and direct summary support.
- Community Services staff will review provided documentation for accuracy and compare it to the project budget.
- If accurate, the Community Services staff will put the request amount in the budget tracking spreadsheet and approve it in the Neighborly program. If not, the subrecipient will be asked to provide additional information before processing.
- Community Services staff will submit to the Deputy City Manager for approval.
- Once approved, the Community Services staff will enter the request into the City's check request system.
- The Community Services Manager will make a copy of invoice and documentation for the subrecipient file.
- The Community Services Manager will submit a request to the City's finance staff for payment.
- The City's finance staff will process the request for payment. Checks and/or ACH are mailed/submitted weekly on Wednesdays.

CITIZEN PARTICIPATION PLAN

The Citizen Participation Plan establishes a guide for the City of Orem to coordinate public participation in the planning of CDBG goals and policies; give timely notice of public comment periods; and reasonable access to public hearings, information, and records relating to the grantee's proposed and actual use of CDBG funds. This Citizen Participation Plan outlines specific steps the City will take to assure for public comment; public hearings and the public availability of HUD required reports such as the Five-Year Consolidated Plan (the Con Plan); the Annual Action Plan; the Consolidated Annual Performance Evaluation Report (CAPER); program performance reviews; and any substantial amendments to the aforementioned.

The City's Citizen Participation Plan seeks to involve all City residents including low and moderate-income persons, persons living in blighted areas, members of minority groups, members of non-English speaking groups, residents of areas where a significant amount of federally-funded activity is proposed or ongoing, the elderly, the disabled, the business community, and civic groups interested in any of the programs funded directly or indirectly by HUD.

In addition to citizen participation, the City of Orem will consult with other city departments, a variety of organizations and agencies whose programs serve a wide range of individuals including low to moderate-income persons and special needs citizens, and adjacent governmental entities.

The City shall periodically review its Citizen Participation Plan and shall notice any proposed changes to the Citizen Participation Plan with a fifteen (15) day public comment period. The City shall make copies of its amended Citizen Participation Plan available for comment and viewing in the Recorder's Office located at 56 N. State Street. The amended Citizen Participation Plan will also be available on the City's website: www.orem.org. Any person with a disability or a non-English speaking individual who needs assistance to review this Citizen Participation Plan should contact the City Manager's Office.

Furthermore, the aforementioned records, documents and information related to the CDBG program, and public participation schedule, are available for review throughout the year in the City Recorder's Office and/or on the City of Orem website www.orem.org.

PUBLIC COMMENT & REVIEW PROCESS

To solicit community involvement, the Community Services staff will publish a notice for public comment, a public hearing or a public review prior to its subsequent submission of reports, substantial amendment or Plan(s) to HUD.

Prior to any public comment period, the Community Services staff will publish said notice in a local newspaper and/or on the City of Orem website www.orem.org. A public comment period will begin two weeks following the date of publication and the notice will state the time period for which the public can submit written comments. The City will consider all written comments and views of citizens and attach a summary of said comments with its submittal to HUD including those comments not accepted and the reason(s) for rejection. Written comments will be accepted in the City of Orem City Manager's Office, 56 N. State Street, Orem, UT 84057, or through an email to kjmathews@orem.org.

The City of Orem will continually look at its methods of collecting citizen feedback and adjust its outreach to gather additional feedback. This includes, but is not limited to, email, social media, and website comment forms.

PUBLIC HEARINGS

The City will hold public hearings at City Hall during the evening as a convenience to the public. City Hall is physically accessible to disabled persons and convenient to those seeking information or wanting to make comments. Those needing a translator should contact the City prior to the public hearing.

The City Manager's Office will conduct at least two (2) public hearings at two different stages of the planning and

development of the Consolidated Plan and/or the Annual Action Plan. The first hearing will take place prior to the time that any formal adoption is considered. A second hearing will be held to solicit additional comments on the Plan prior to its adoption by the Orem City Council. There will be a 30-day waiting period between public hearings, as per HUD regulations.

The notice of a public hearing will be published at least fourteen (14) days in advance of the scheduled hearing, and shall contain the purpose, the time and location of the hearing, and describe how to request accommodations for persons with disabilities and non-English-speaking persons and with sufficient prior notice will make accommodations for persons with disabilities or non-English speaking persons. Any verbal comments expressed during a public hearing will be reflected in meeting minutes of the hearing as appendices to its Plan to HUD.

CONSOLIDATED PLAN AND ANNUAL ACTION PLAN

The Community Services staff will hold at least two (2) public hearings at different stages of the planning and development of the Consolidated Plan and/or Annual Action Plan ("the Plan"). The Community Services staff and the CAC will review all comments, overall priorities, projects, and funding requests.

The Community Services staff will notice a thirty (30) day public comment period, at which time a copy of the proposed Plan will be available for public review and comment in the City Recorder's Office. It will also be available on the City's website, www.orem.org/cdbg. Upon completion of a thirty (30) day comment period, the Community Services staff will submit the proposed Plan, with comments, for approval by the Orem City Council.

CONSOLIDATED ANNUAL PERFORMANCE & EVALUATION REPORT (CAPER)

The City of Orem is required to report annually on project accomplishments and the progress that it has made in carrying out the goals outlined in the Consolidated and Annual Action Plans. This report is known as the Consolidated Annual Performance & Evaluation Report (CAPER). The City shall provide a fifteen (15) day comment period in which anyone may comment on the performance report prior to its submission to HUD. The City shall provide notice in a local newspaper and/or on the City of Orem website. Also, contained in the notice is a general description of the purpose of the report, where copies of the report may be reviewed, how to submit comments on the report and the date by which those comments must be received. The City shall consider all comments expressed either verbally or in writing and received within the public comment period. The City shall append a summary of these comments to the CAPER in its submission to HUD.

SUBSTANTIAL AMENDMENTS

The City of Orem defines a substantial amendment to the Consolidated Plan or annual Action Plan as a change in the use of funds from one eligible activity to another that is greater than 20% of the CDBG program funds.

Substantial amendments to the Plan must be authorized by the Orem City Council and submitted to HUD by the City Manager. The public will also be notified by publishing the amendment in the local newspaper fourteen days prior to the start of a 30-day citizen review and comment period. The City will consider any comments or views of citizens received in writing or orally during the comment period. A summary of these comments or views, and a summary of any comments or views not accepted and the reasons therefore, shall be attached to the substantial amendment of the consolidated plan. The amendment will then be submitted to HUD and made available at the City of Orem Recorder's City's website. The City Manager will submit a letter to HUD authorizing the amendment after the 30-day comment period and will implement the amendment at that time.

TECHNICAL ASSISTANCE

Community Services staff are available to provide information or technical assistance to local groups with an interest in receiving CDBG funds. If a community group, non-profit organization or housing sponsor desires more intensive information, counseling, or technical assistance, the Community Services staff are available for a reasonable amount of time. The City will determine the level and type of assistance to be provided based on the specific needs of the group requesting such assistance.

RESPONSE TO QUESTIONS/COMPLAINTS

In the event that a resident has a question or complaint about the CDBG Program or about a specific project, the matter will be referred to the proper department or individual for a response. The standard time for a response will be fifteen (15) business days or less.

ACCESS TO RECORDS

Public and nonprofit housing agencies, LMI residents, citizens of the City of Orem, social service agencies and other interested community groups, including those most affected (and those interested in minimizing displacement or assisting those displaced) will be notified of the availability of copies of the draft Consolidated Plan, Annual Action Plan and CAPERS for review and may submit comments pertaining to the planning and reporting documents. This notification will be published on the Utah Public Notice website and City of Orem's website. Copies of Consolidated Plan, Annual Action Plan and CAPER will be made available through:

City of Orem Community Services
56 North State Street
Orem, Utah 84058
or
orem.org/cdbg

LIMITED ENGLISH PROFICIENCY (LEP) PERSONS:

The City of Orem and sub-recipients must ensure meaningful access to their programs and activities by persons who do not speak English as their primary language and who have limited ability to speak, read, write, or understand English, pursuant to Executive Order 13166. This Executive Order mandates that the federal government reduce language barriers to Limited English Proficiency (LEP) persons with regard to accessing federal benefits.

In certain situations, failure to ensure persons who have Limited English Proficiency have access to CDBG programs or services may violate Title VI's prohibition against national origin discrimination.

If 25% or more of a CDBG Activity's service clientele has limited English proficiency and speaks a non-English language, the CDBG Activity must provide key documents translated in that population's language.

If 50% or more of a CDBG Activity's service clientele has limited English proficiency and speaks a non-English language, the CDBG Activity must make every attempt to provide assistance to a person in their designated language, either through translation services or by employing staff who speak the language.

If CDBG funds are provided for counseling, mental health services, medical services, and/or case management, these services MUST be provided in the client's native language, regardless of the size of the population the provider serves.

staff Training

All current and future City of Orem staff working in the CDBG program will be trained on their obligation to provide meaningful access to the program to LEP residents. In addition to being made aware of the right of all residents to receive oral interpretation regardless of their language, the Community Services staff will be trained on the policies and use of the resources set forth in this chapter and their responsibilities/protocols in responding to the needs of LEP residents via telephone, written communication, and in-person contact.

The City of Orem CDBG program emphasizes the importance of Community Services staff notifying LEP residents of their rights regarding interpretation services. As such, staff will be trained on where to access the written notices of the right to oral interpretation and the Spanish-language vital documents. In addition, staff will be trained that these notices are to be put on all vital documents in Spanish and Mandarin Chinese, as well as any languages identified in the future as prevalent to the level that a translated notice for those residents falls under the "safe harbor" rule.

Outreach and Monitoring of the Language Access

City of Orem CDBG recognizes that many LEP residents may be unaware of their rights and feel discouraged from participating in the CDBG program unless outreach is performed to make these residents aware of the accommodations in place to assist them. In addition to including translated notices of the right to interpretation on vital documents, the Community Services staff will maintain contact with community liaisons in the LEP community, particularly those with Spanish speaking business and community organization contacts, to keep them informed of funding availability and upcoming public meetings.

Section 504 and ADA

Section 504 of the Rehabilitation Act of 1973 (referred to as simply "Section 504") provides that no qualified individual with disabilities should, solely by reason of his or her disability, be excluded from the participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance. Section 504 covers all programs and activities of recipients of HUD financial assistance. For the City of Orem CDBG program, this extends to all public outreach and interaction, as well as the entirety of the application, employment, project completion,

and monitoring practices.

The City of Orem is fully committed to compliance with Section 504, and will take particular actions to accommodate people with disabilities. This will entail extending interpretation services to include sign language for deaf residents, oral interpretation in any language, including English, for blind residents, and ensuring physical accessibility of facilities used by the CDBG program for any purpose.

Subrecipients are also considered recipients of federal financial assistance for the purposes of Section 504 compliance and will be expected to maintain the same standards as CDBG staff who administer the program.

The Americans with Disabilities Act (ADA) is a comprehensive law for people with disabilities. Title II of the ADA prohibits discrimination on the basis of disability in all programs, services, and activities provided or made available by public entities, including the City of Orem's CDBG program. This law also applies to any services or housing provided by CDBG funded projects. The City of Orem will include, in written agreements with subrecipients and in all interactions with the public, proper language and accommodations to comply with the ADA. For additional information and resources, CDBG staff will refer to published HUD web pages and documents, which may be found at the following link:

https://www.hud.gov/program_offices/fair_housing_equal_opp/disability_overview

RECORDKEEPING REQUIREMENTS

CDBG staff will maintain written records of translated documents for at least four years after the submission of the CAPER in which all relevant activities were reported for the last time. As a general rule, translated documents will be subject to the same record retention periods as the official English versions.

FAIR HOUSING AND EQUAL OPPORTUNITY

The City of Orem's CDBG Program is committed to compliance with Civil Rights legislation, which requires providing equal access to the program, including all funded projects and their associated benefits to all people regardless of race, national origin, religion, color, sex, age, or physical or mental disability. Additionally, the Federal Government requires that all grantees comply with Equal Employment Opportunity laws and regulations. As the administering agency, the City of Orem makes every effort to avoid discrimination and provide equal opportunities to all groups. These requirements apply to all grant subrecipients and contractors.

GENERAL REQUIREMENTS

The civil rights requirements have the basic purpose of protecting specific groups and/or individuals from discrimination. The civil rights laws are applicable not only to the beneficiaries of a federally assisted project, but also to the employees of a CDBG grantee or subrecipient.

A list of the applicable laws can be found in the next section of this chapter. As they apply to the CDBG Program, these laws protect individuals from discrimination in:

- Housing
- Benefits and services resulting from activities funded in full or in part by CDBG dollars
- Employment
- Business opportunities
- Relocation resulting from CDBG-funded activities.

FAIR HOUSING AND EQUAL OPPORTUNITY REQUIREMENTS FOR ALL PROGRAMS

Civil rights compliance and monitoring responsibilities are contained in the following listing of federal laws, executive orders, and regulations. The listing for each applicable law contains the citation, general objective, and any features (e.g., thresholds) that may be relevant to the administration of CDBG funded activities.

- Title VI of the Civil Rights Act of 1964 and 24 CFR Part I
- Title VI prohibits discrimination on the basis of race, color, or national origin in all federally assisted programs. (24 CFR Part I)
- Title VIII of the Fair Housing Act of 1968, as amended (The Fair Housing Act), and 24 CFR 91.225, Local Jurisdictions
- The federal Fair Housing Act prohibits discrimination in housing on the basis of race, color, national origin, religion, sex, familial status, and disability. Section 808(e)(5) of the Fair Housing Act requires the Secretary of HUD to ensure that all HUD programs affirmatively further fair housing.
- Section 3 of the Housing and Urban Development Act of 1968 Section 3 requires grantees to provide job training, employment, and contract opportunities to low- or very low-income residents in connection with projects and activities in their neighborhoods to the greatest extent feasible.
- Section 109 of Title I of the Housing and Community Development Act of 1974 (Section 109) and 24 CFR Part 6
- Section 109 prohibits discrimination on the basis of race, color, national origin, religion, and sex in any program or activity funded in whole or in part with federal financial assistance.
- Age Discrimination Act of 1975, as Amended (42 USC 6101) The Age Discrimination Act prohibits age discrimination in programs or activities receiving federal financial assistance.
- Section 504 of the Rehabilitation Act of 1973 (Section 504) and 24 CFR Part 8/Title II of the Americans with Disabilities Act of 1990 (ADA), and 28 CFR

Part 35

- Section 504 prohibits discrimination based on disability under any federally assisted program or activity. (24 CFR, ADA, 28 CFR)
- Equal Access to Housing in HUD Programs Regardless of Sexual Orientation or Gender Identity (Equal Access Rule), 24 CFR Part 5 HUD's Equal Access Rule, effective MCACCh 5, 2012, is a HUD program requirement that ensures equal access to housing in HUD programs, regardless of sexual orientation, gender identity, or marital status. The Equal Access Rule prohibits inquiries of an applicant's or occupant's sexual orientation or gender identity for the purpose of determining eligibility or otherwise making housing available.
- Equal Employment Opportunity (EEO) (Executive Order 11246, September 24, 1965), as amended. The EEO requires that federal contractors do not discriminate in employment and take affirmative action to ensure equal opportunity based on race, color, religion, and national origin.
- Executive Order 11246 prohibits an employer performing construction work for a recipient of federal assistance from discriminating against any employee or applicant for employment on the basis of race, color, religion, sex or national origin.
- Equal Opportunity in Housing (Executive Order 11063) Executive Order 11063 prohibits discrimination based on race, color, religion, sex or national origin in housing and related facilities that are owned or operated by the federal government or housing and related facilities provided by federal financial assistance, including mortgage insurance and guaranty programs.

GRANTEE RESPONSIBILITIES

These Fair Housing and Equal Opportunity requirements apply across the board to the administration of the CDBG Program and all projects funded through the Program. Under these requirements, a grantee must take actions to ensure that no protected person or group is denied benefits such as employment, training, housing, services, and contracts generated by a local CDBG activity. These responsibilities are extended to subrecipients as well. As a project progresses, the Community Services staff will monitor the extent to which protected groups within the community are participating in and receiving benefits from a CDBG activity. This monitoring will be based on data provided in the subrecipient application, site visits, agency reporting associated with reimbursement requests (see IDIS drawdowns), and subrecipient Equal Opportunity policies.

The Consolidated Planning regulations at 24 CFR Part 91 require the City of Orem CDBG program to certify that it will affirmatively further fair housing. The definition of affirmatively furthering fair housing includes conducting an Analysis of Impediments (AI) to fair housing choice within the jurisdiction. The Analysis of Impediments, certification of fair housing efforts, and associated actions proposed to affirmatively further fair housing are submitted with the Consolidated Plan every five years.

Subrecipients are expected to review and become familiar with the AI and proposed actions. As part of application submission and contract execution, subrecipients engaged in housing activities agree to affirmatively further fair housing in accordance with the identified local barriers or impediments stated in the AI. At a minimum, this agreement will include posting HUD Form 928.1 in conspicuous places at subrecipient offices, worksites, etc.

Potential additional actions may include, but are not limited to:

- Enacting or strengthening local ordinances (for local governments)
- Passing a formal resolution (for local governments)
- Advertising, including newspaper and radio
- Communication or language in contracts, letterhead or use of Fair Housing symbol
- Public outreach, including seminars, meetings or public hearings with interested

parties.

ADA AND SECTION 504

Pursuant to the Americans with Disabilities Act (ADA) and Section 504, the City of Orem will adhere to all applicable regulations regarding communications, housing, and facilities for persons with disabilities. The same expectation is extended to subrecipients. Communication is a key component of accessibility to the CDBG program. Members of the community with impairments to speech, hearing, vision, or mobility must be granted access to and be able to enjoy the benefits of all programs and activities receiving CDBG funds. For communication policies related to language translation and accommodations for deaf or blind persons, please refer to the LEP section in this manual. The Community Services staff will provide proper accommodations and be receptive to all requests and needs of disabled persons who require communication assistance in order to fully access the benefits of the CDBG program.

In addition, all public meeting locations and construction activities using CDBG funds must meet the accessibility standards of Section 504. This requirement also extends to programs receiving CDBG funds which do not involve construction, in which existing facilities being utilized must be readily accessible to and usable by persons with disabilities.

CIVIL RIGHTS REQUIREMENTS

Pursuant to all relevant Civil Rights legislation, the City of Orem and the City of Orem CDBG program subrecipients will practice nondiscrimination in all activities, as listed under the applicable legislation listed in this chapter. Such compliance will be codified in the language of the subrecipient agreement between the subrecipient and the City of Orem. In addition, the Community Services staff and subrecipients will document evidence of Equal Employment Opportunity compliance when advertising for jobs, and make personnel policies available to the Community Services staff and to HUD representatives upon request.

Complaints may be made by any individual or authorized representative of that individual who believes they have been denied opportunities or treated differently, due to their race, ethnicity, gender, disability, or age. This complaint would be filed with FHEO under the Housing Discrimination Form 903.1. The complainant's identity will be held in confidence by HUD unless written authorization is given. The time period for filing complaints is within 180 days of the alleged act. The City of Orem CDBG program will have copies of this form available to the public.

Any person who believes his/her rights have been violated may file in Federal court. The remedy through court action may include the award damages, back pay, seniority, and as with any equal opportunity action, attorney fees, or injunction against the non-complying project.

RECORDKEEPING REQUIREMENTS

The City of Orem and subrecipients of the City of Orem CDBG program recognize the importance of maintaining proper documentation of Fair Housing and Equal Opportunity (FHEO) actions. These documents, as with all CDBG program documents, must be maintained for a period of not less than four years. The required FHEO documentation includes:

- Subrecipient applications, which include expected beneficiaries
- Agency quarterly reporting
- Subrecipient Fair Housing Plan
- Subrecipient Equal Opportunity policies
- Evidence of Equal Employment Opportunity compliance when advertising for jobs
- Subrecipient Personnel Policies

ENVIRONMENTAL REVIEW

All CDBG activities are subject to requirements of environmental review regulations at 24 CFR Part 58. These regulations implement HUD's responsibilities for use of federal funds under NEPA. The environmental review process must be completed before CDBG funds are accessed and before the subrecipient makes any "choice-limiting actions," which include purchasing a building or lot, going out to bid for contract, approving final design plans, starting physical work on a site or any other actions that will limit choices available during or after the review process. This applies to any work on the project, either funded by CDBG funds or non-HUD funds. The environmental review process must be completed before a subrecipient agreement is executed. The flow chart at the end of this chapter summarizes the environmental review process for CDBG projects. The City of Orem, as the grantee receiving assistance, is the "responsible entity", and it is City of Orem's CDBG staff, as the program administrators, which conduct the environmental review process outlined in the flow chart at <https://files.hudexchange.info/resources/documents/Part-58-Flowchart.pdf> on behalf of the City and in cooperation with subrecipients.

ENVIRONMENTAL REVIEW PROCESS

STEP 1: Subrecipient defines the project, including all activities to be undertaken. Subrecipient provides a thorough description of the project, including activities not funded with CDBG funds, in the project application. A map of the area should also be included with the application.

STEP 2: Based on the project description provided by the subrecipient, the Community Services staff determine level of review by accessing HUID Environmental flowchart at <https://files.hudexchange.info/resources/documents/Part-58-Flowchart.pdf> and will determine who will complete review (Community Services staff or outside consultant).

STEP 3: For projects determined to be Exempt or Categorically Excluded, Not Subject to Part 58.5, the Community Services staff will prepare the ERR for signature (as preparer).

STEP 4: For Categorically Excluded projects subject to Part 58.5 that do not require compliance or mitigation measures, the project converts to exempt with no further action necessary. The completed ERR is signed by Community Services staff added to the project ERR file and provided to the subrecipient for their files.

For Categorically excluded projects subject to Part 58.5 that require compliance or mitigation measures, the ERR must be signed by the Certifying Environmental Officer (Community Services Manager). The Community Services staff coordinates signing.

For Environmental Assessment projects, the ERR must be signed by the Certifying Environmental Officer. The Community Services staff coordinates signing.

STEP 6: The Community Services staff publishes the appropriate public notice.

For Categorically excluded projects subject to Part 58.5 that require compliance or mitigation measures, the subrecipient must publish a Notice of Intent to Request Release of Funds (NOI-RROF) in the newspaper and hold a seven-day comment period.

For Environmental Assessment projects for which no significant impacts have been identified, the

subrecipient must publish a joint notice including the Finding of No Significant Impact (FONSI) and the Request Release of Funds (RROF) in the newspaper and hold a fifteen-day comment period.

For an Environmental Assessment project for which a significant impact has been identified, the subrecipient and Community Services staff will review the project scope and location to determine alternatives.

STEP 7: After the end of the public comment period, a Request for Release of Funds (RROF) is submitted to HUD. The Community Services staff fills out the RROF (HUD Form 7015.15 E52-E53) and coordinates signing by the Certifying Environmental Officer. The original form and affidavit of publication are mailed to HUD.

STEP 8: Receive Authority to Use Grant Funds (HUD Form 7015.16) from HUD after a fifteen-day objection period. This form is added to the project ERR file, and the Community Services staff alerts the subrecipient that all environmental review requirements are complete. The County and subrecipient may then enter into a Subrecipient agreement.

If an objection is received by HUD during the objection period, the Community Services staff will work with HUD representatives and the subrecipient to address objections and complete the environmental review process. This process also applies to any objections received during the subrecipient's initial comment period. In that case, objections or comments will be addressed prior to sending to HUD.

DEBARMENT AND SUSPENSION

Per 2 CFR 200.213, the City of Orem CDBG program is subject to the non procurement debarment and suspension regulations implementing Executive Order 12549 and 12689 and 2 CFR part 180. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

City of Orem must certify that no debarred, suspended, ineligible or voluntarily excluded persons or organizations will participate in this grant. HUD policies and procedures concerning debarment and suspension are contained in 2 CFR Part 180 and 2 CFR Part 2424.

- 2 CFR Part 180 provides Office of Management and Budget (OMB) guidance for federal agencies on the government-wide debarment and suspension system for non-procurement programs and activities.
- 2 CFR Part 180 Subpart B describes which contracts are covered, including procurement and non-procurement contracts.
- 2 CFR Part 2424 adopts the OMB guidance on non-procurement debarment and suspension and supplements it with HUD-specific clarifications and additions.
- 2 CFR Part 2424 Subpart B expands the covered contracts to include any contract, regardless of tier, that is awarded by a contract, subcontractor, supplier, consultant, or its agent or representative in any transaction, if the contract is to be funded or provided by HUD under a covered non procurement transaction.

REVIEWING FOR DEBARMENT AND SUSPENSION

Subrecipients are required to maintain active registration in the sam.gov system during the period of performance and must provide a DUNS Number or an Unique Entity Identifier (UEI) number at the time of application. The Community Services staff will check the eligibility of all subrecipients via sam.gov prior to entering into a subrecipient agreement and dispersing funds.

For construction projects, prime contractors are required to maintain active registration in the sam.gov system during the period of performance and must provide an Unique Entity Identifier (UEI) prior to entering into a contract with the subrecipient. After a bidder is selected but prior to entering into a contract, the subrecipient project manager must provide the company name, DUNS number, and name of principals to the Community Services staff.. The staff will check the eligibility of the prime contractor via sam.gov and send a contractor eligibility letter to the subrecipient clearing them to enter into a contract with the prime contractor. The prime contractor will be required to have all subcontractors working on the project to sign at Certification Regarding Debarment Suspension, Ineligibility and Voluntary Exclusion form and provide it to both the subrecipient and the Community Services staff.

PROCUREMENT

All CDBG-funded projects must comply with federal procurement regulations when purchasing services, supplies, materials or equipment. The applicable federal regulations are contained in 2 CFR part 200.317-200.326 and apply to all non-profit organizations and public entities acting as subrecipients. Per these regulations, subrecipients must use their own documented procurement procedures which reflect state, local and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in 2 CFR part 200 "Procurement Standards." Subrecipients without established and sufficient procurement policies must follow City of Orem's Procurement Rules and Regulations (<https://walter.orem.org/wp-content/uploads/2020/01/Purchasing-Ordinance-2018-1.pdf>). Non-compliance with required procedures may result in disallowance of any or all costs associated with the procurement action.

GENERAL PROCUREMENT PROVISIONS

- The general components of good procurement include the following:
- Written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award, and administration of contracts. See Conflict of Interest section below.
- Procedures to avoid acquisition of unnecessary or duplicative items.
- Efforts to foster economy and efficiency.
- Use of value engineering clauses in contracts for construction projects of sufficient size to offer reasonable opportunities for cost reductions.
- Records sufficient to detail the history of procurement.
- Contracts containing the applicable provisions described in Appendix II to Part 200 – Contract Provisions for non-Federal Entity Contracts Under Federal Awards.

See 2 CFR part 200.318 for further details regarding general procurement provisions. CDBG funds shall not be obligated or used for the payment of goods or services received prior to the start date of the subrecipient agreement (pre contract costs).

COMPETITION

All procurement transactions must be conducted in a manner providing full and open competition. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals must be excluded from competing for such procurements. Some of the situations considered to be restrictive of competition include but are not limited to:

- Placing unreasonable requirements on firms in order for them to qualify to do business.
- Requiring unnecessary experience and excessive bonding.
- Noncompetitive pricing practices between firms or between affiliated companies.
- Noncompetitive contracts to consultants that are on retainer contracts.
- Organizational conflicts of interest.
- Specifying only "brand name" product instead of allowing "an equal" product to be offered and describing the performance or other relevant requirements of the procurement.
- Any arbitrary action in the procurement process.

Procurement must be conducted in a manner that prohibits the use of statutorily or administratively imposed state, local, or tribal geographical preferences in the evaluation of bids or proposals, except in cases where applicable Federal statutes expressly mandate or encourage geographic preference.

Procurement procedures must ensure that all solicitations:

- Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured.
- Identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.

See 2 CFR part 200.319 for further details regarding competition.

METHODS OF PROCUREMENT

Grantees and subrecipients must use one of the following methods of procurement:

- Micro-purchases: Acquisition of supplies or services, the aggregate dollar amount which does not exceed the micro-purchase threshold (Threshold is \$10,000 as of February 2021, see 48 CFR Subpart 2.1 for the current micro-purchase threshold).
- Small purchases: Relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources (See 48 CFR Subpart 2.1 for the current simplified acquisition threshold, which is \$250,000 in 2021).
- Sealed bids (formal advertising): Publicly solicited and a firm fixed price contract awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest price. The sealed bid method is the preferred method for procuring construction (See 2 CFR part 200.320 for additional requirements for sealed bid procurement). Regardless of which type of procurement process is utilized, the Davis Bacon Act applies to all construction contracts in excess of \$2,000.
- Competitive proposals: Normally conducted with more than one source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded. Competitive proposals are generally used when conditions are not appropriate for the use of sealed bids.
- Noncompetitive Proposals: Solicitation of a proposal from only one source and may be used only under the following circumstances:
 - Item is only available from a single source;
 - The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
 - The Federal awarding agency (HUD) expressly authorizes noncompetitive proposals in response to a written request; or
 - After solicitation of a number of sources, competition is determined to be inadequate.

City of Orem CDBG follows the City of Orem procurement procedures. These procedures do not require informal or competitive quotes for purchases of \$3,500 or less. Purchases of \$3,501 to \$10,000 must solicit 3 informal quotes, purchases \$10,001 to \$25,000, must solicit 3 documented written quotes, and purchases greater than \$25,000 must be solicited and awards must be made through a formal bid and RFP process.

PROCUREMENT OF CONSTRUCTION SERVICES

For construction service contracts, grantees and subrecipients must follow these steps:

1. Plans, specifications, and bid package prepared. Specifications should provide a complete and accurate description of the specifications for materials, products, and services to be provided or performed. Bid and contract documents should include but are not limited to the following:
 - Technical specifications.
 - Local, State, and Federal requirements for Equal Opportunity (including Section 3 hiring and contracting, if applicable), HUD Form 4010, Labor Standards requirements (including applicable wage decision), general contract terms and conditions such as

termination clauses, access to and retention of records, etc., timeframe for contract completion.

- General industry conditions.
 - Itemized cost and unit pricing information of schedule of values.
 - Method of payment and amount of contract.
 - Advertisement for Bid.
 - Copy of proposed Contract Form.
 - Bid Bond form.
 - Any qualification requirements for bidders and provisions to explain the basis for rejecting any bids, as well as how bid errors will be handled.
2. Confirm that bid documents are consistent with the scope of work found in the CDBG Subrecipient Agreement.
 3. Construction bids should be solicited using the sealed bid method unless otherwise approved by the Community Services staff.
 4. Amendments or addenda to bid documents, if any, must be sent to all bidders who were sent or who obtained bid documents.
 5. Confirm wage decision ten days prior to bid opening.
 6. Conduct a public bid opening.
 7. Review bids.
 - Determine if they are legally and technically responsive. Unit prices always prevail in determining the lowest bid in case of adding errors.
 - Check with the State's Licensing Board for General Contractors to verify the contractor's business license number and type, and the types of work the contractor is permitted to bid on or to perform under the license.
 - Evaluate the contractor's capacity to perform by considering, among other things, the bidder's integrity, compliance with public policy, record of past performance, financial and technical resources, references, and capacity to perform within the stated time and bid amount.

Within ten days after bid opening, submit the bid tabulation sheet and selected bidder name and Unique Entity Identifier (UEI) number to the Community Services staff. A written "Contractor Eligibility" letter will be sent in response by the Community Services staff once they have verified that the selected bidder is not debarred or excluded from working on federally-funded projects (See "Debarment and Suspension" chapter). Only contractors and subcontractors who are not federally debarred or suspended and have current Utah business licenses with current Workers' Compensation accounts including proper insurance and bonding can work on capital construction projects. See 2 CFR 200.325 for requirements related to bonding.

CONTRACTING WITH SMALL BUSINESSES, WOMEN- AND MINORITY OWNED FIRMS, AND LABOR SURPLUS AREA FIRMS

When possible, subrecipients and prime contractors should make efforts to use small businesses, Minority Business Enterprises (MBEs, i.e. minority-owned firms), and Women's Business Enterprises (WBEs) in procuring services of all types. Affirmative steps include:

- Placing qualified small and minority businesses and women's business enterprises on solicitation lists.
- Assuring that such businesses are solicited whenever they are potential sources.
- Dividing procurement requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by such businesses.
- Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority businesses, and women's business enterprises.
- Using the services and assistance, as appropriate, of such organizations as the Small Business

Administration and the Minority Business Development Agency of the Department of Commerce.

CONFLICT OF INTEREST

No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if they have a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, or any member of their immediate family, their partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees and agents may not solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts.

In the procurement of supplies, equipment, construction, and services by City of Orem and by sub-recipients, the conflict of interest provisions in 2 CFR 200.318 shall apply. In all cases not governed by 2 CFR 200.318, this policy will be followed. Such cases include the acquisition and disposition of real property and the provision of assistance by the City or by its subrecipients to individuals, businesses, and other private entities under eligible activities that authorize such assistance (e.g., rehabilitation, preservation, and other improvements of private properties or facilities pursuant to §570.202; or grants, loans, and other assistance to businesses, individuals, and other private entities pursuant to §570.203, 570.204, 570.455, or 570.703(i)).

Procedure for Community Services staff:

- Staff directly involved with CDBG will review the conflict of interest policy.
- Staff will forward any potential conflict of interest exemption requests to the City of Orem Deputy City Manager.
- All CDBG applications from sub-recipients will include a Disclosure statement which includes at a minimum the following:
 - Require that the sub-recipient has a conflict of interest statement that meets the federal conflict of interest regulations found in 2 CFR Part 200, and;
 - Require that the sub-recipient document the dissemination of the policy to covered persons.

Conflicts Prohibited - Exemptions Must be Approved by HUD

Persons covered under the conflict of interest regulations include those who exercise or have exercised any functions or responsibilities with respect to CDBG-funded activities, or who are in a position to participate in a decision making process, or gain inside information with regard to these activities. Specifically, persons covered include any person who is an employee, agent, consultant, officer, elected official, or appointed official of the County, or of any designated public agencies, or sub-recipients which are receiving CDBG funds.

Covered persons have a conflict of interest when they may obtain a financial interest or financial benefit from a CDBG-assisted activity, or have a financial interest in any contract, subcontract, or agreement with respect to the CDBG assisted activity, or the proceeds from such activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter.

For the purpose of this policy and lack of definition within 24 CFR Part 500.611, the CDBG Program adopts the definition of immediate family ties from the HOME Investment Partnership Program, 24 CFR Part 92, regulations. Immediate family ties include (whether by blood, marriage or adoption) the spouse, parent (including a stepparent), child (including a stepchild), brother, sister (including a stepbrother or stepsister), grandparent, grandchild, and in laws of a covered person.

Exemption Requests

- If there are income requirements for participation in a CDBG-funded activity, after it is determined that the applicant is income-qualified, persons/agencies seeking CDBG funds will disclose in writing any potential conflict of interest to Community Services staff working directly with the client. At a minimum, the request will include the following:
 - Person's name, position, phone number and address;
 - Details of the nature of the conflict of interest, (perceived, apparent, or actual);
 - Date of the notification (when the agency was notified of the conflict);
 - Requested action to address the conflict of interest (recusal, exemption request, etc.)
 - HUD approval is required.
- Community Services staff will confirm what the nature of the conflict is and if an exception should be pursued. Nature of the conflict is the relationship to the Persons Covered. Community Services staff consider the following factors when determining if an exemption should be pursued:
 - Has the person met the program requirements?
 - HUD granting the exception will serve to further the purposes of the Act and the effective and efficient administration of the recipient's program or project, taking into account the cumulative effect of the following factors, as applicable;
 - Does the exception provide a significant cost benefit or an essential degree of expertise to the program or project that would otherwise not be available;
 - Whether an opportunity was provided for open competitive bidding or negotiation;
 - Is the person a member of a group or class of low- or moderate-income persons intended to be beneficiaries of the assisted activity, and the exception will permit such person to receive generally the same interests or benefits as are being made available or provided to the group or class;
 - Whether the affected person has withdrawn from his or her functions or responsibilities, or the decision making process with respect to the specific assisted activity in question;
 - When was the benefit available? Was it available before or after the person took the position that created a conflict?
 - Does avoiding the prohibited conflict cause undue hardship; and
 - Any other relevant considerations.
- Community Services staff will provide adequate information to the City Attorney's office for them to prepare an opinion. This opinion will state that the interest for which the exception is sought would not violate State or local law.

Public Notification

The Community Services staff will ensure the conflict is publicly disclosed. All disclosures will be documented in the Project General File. Notification should be posted on display boards within the City Building and on the City of Orem CDBG website (orem.org/cdbg). Public notifications will include the following:

- Employee
- Statement of the nature of the conflict
- Project information

Conflict exception requests to HUD will include the following when submitted:

- Statement of the nature of the conflict
- Proof of public disclosure of the conflict
- The City Legal opinion that discloses that an exception would not violate State or local law.

The Community Services staff will ensure all backup documentation and exception determination is placed in the Project General File.

Identification of and requesting exemption to a conflict of interest prior to the participation of the individual who has the conflict of interest is crucial to the integrity and continued success of CDBG. Attempting to retroactively report or request an exemption to a conflict of interest is not acceptable in the City of Orem CDBG Program. If Community Services staff determine that a conflict of interest is present and an exemption request is not appropriate, the individual with the conflict of interest will be required to forfeit contracts where a conflict is discovered and to submit to recusal from the decision making process or oversight duties. The necessity of more extreme measures than these will be determined on a case-by-case basis as conflicts arise.

WRITTEN AGREEMENTS

Written agreements form the basis of the contractual obligations between parties participating in the administration and implementation of CDBG funded activities and programs (24 CFR 570.501 Responsibility for Grant Administration).

TYPES OF AGREEMENTS

1. Subrecipient Agreement: A subrecipient agreement must be entered into between the City and all entities receiving CDBG funds. The subrecipient agreement forms the basis for the contractual obligation between the parties to fund and implement the activity and program as specified at 24 CFR 570.503. The agreement denotes responsibilities attributable to each party and outlines in exact measure the scope of services to be provided and methods of accountability. Execution of the agreement binds the subrecipient for a specified period. The subrecipient agreement contains general provisions of the grant, including:
 - The amount and authorized uses of grant funds
 - The period of performance
 - Statement of work, including a schedule for completing the work and a budget
 - Required records and reports
 - Program income requirements
 - Uniform requirements
 - Reversion of assets
 - General administrative requirements
 - Performance monitoring
 - Requirements for reporting payment
 - Insurance and bonding requirements
 - Suspension or termination provisions
 - Applicable state and federal laws and regulations
 - Environmental conditions
 - Audit requirements Subpart F

Subrecipient agreements are prepared by the Community Services staff and reviewed by the City of Orem Legal office after the Orem City Council has made funding decisions for the program year and HUD has published award allocation amounts. The Community Services staff facilitates the execution of the agreement and provides written notice via email to subrecipients once the contract has been executed and projects may begin. Written notice to begin a project will not be issued until an environmental review is completed for the project and the Annual Action Plan has been approved.

2. Memorandum of Understanding: If/when City of Orem implements activities itself, the City uses a Memorandum of Understanding between the City Manager and the implementing Department Director. The memorandum of understanding contains general provisions of the grant, and includes at a minimum:

- The amount and authorized uses of grant funds
- The period of performance
- Statement of work, including schedule for completing the work and a budget
- Required records

Upon execution of the agreement, the City of Orem is authorized to undertake or to assist in undertaking essential community development and housing assistance activities with the City as may be specified in the Annual Action Plan.

AMENDMENTS TO WRITTEN AGREEMENTS

Written agreements may only be revised upon written authorization from the Deputy City Manager (under advisement of the City's legal team) and execution of a contract amendment or extension by the Community Services staff with review from the City's legal team. Requests for an amendment or extension must be submitted via email or mailed letter by the subrecipient to the Community Services staff, who will evaluate the justification and necessity of the amendment or extension on a case by case basis.

In the event that the change rises to the level of a substantial amendment under provisions in the City of Orem Citizen Participation Plan, the amendment process in that plan will be followed. The Community Services staff will prepare and facilitate the signing of the appropriate documents by the Deputy City Manager for any approved amendments or extension.

SECTION 3 REQUIREMENTS

Section 3 refers to Section 3 of the Housing and Urban Development Act of 1968, as amended in 1992, which requires that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, be directed to low and very low income persons, particularly those who are recipients of government assistance for housing, and to businesses that provide economic opportunities to low- and very low income persons.

GRANTEE AFFIRMATIVE ACTION FOR SECTION 3 REQUIREMENTS In order to ensure that active efforts are made to comply with Section 3 of the Housing and Urban Development Act of 1968, as amended in 1992, City of Orem Community Services staff will take the following actions for projects covered by Section 3:

- Utilize the Utah Section 3 Registry provided by the Utah Department of Workforce Services by including these businesses on applicable solicitation lists and requiring subrecipients to refer to the registry when awarding contracts or subcontracts. The registry is available at <https://jobs.utah.gov/housing/affordable/owhlf/section3/hudsection3.html>
- Require subrecipients and contractors to include specific Section 3 language in all solicitations, such as RFPs and bid documents
- Demonstrate compliance with the “greatest extent feasible” requirement of Section 3 and the HUD Section 3 rule update of November 2020 by requiring subrecipients carrying out Section 3 covered contracts to report labor hours worked by Section 3 Workers (or those who were Section 3 residents at the time of hire). Specifically, 30% of all labor hours must be worked by Section 3 Workers under Section 3 covered contracts; 25% by any Section 3 Workers and 5% by workers employed by a “Section 3 Business”.
- Require subrecipients and contractors to submit reports documenting the labor hours worked by Section 3 Workers and businesses.

Section 3 is triggered for contracts for housing rehabilitation and/or public construction where CDBG assistance exceeds \$200,000 for any one activity; and to construction contractors and subcontractors when the activity has been determined to be covered by Section 3 for the construction contractor and the construction contract or subcontract exceeds \$100,000. Additional information is found at <https://www.hudexchange.info/faqs/programs/cdbg-entitlement-program/section-3/when-is-section-3-triggered-for-a-cdbg-project/>

SECTION 3 CLAUSE

This clause is located at 24 CFR § 135.38, which can be found online at <https://www.law.cornell.edu/cfr/text/24/135.38>

All Section 3 covered contracts shall include the following clause (referred to as the Section 3 clause):

- A. *The work to be performed under this contract is subject to the requirements of section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (section 3). The purpose of section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.*

- B. *The parties to this contract agree to comply with HUD's regulations in 24 CFR part 135, which implement section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.*
- C. *The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.*
- D. *The contractor agrees to include this section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135.*
- E. *The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.*
- F. *Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.*
- G. *With respect to work performed in connection with section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this contract that are subject to the provisions of section 3 and section 7(b) agree to comply with section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b).*

All participants in CDBG funded activities are subject to Federal lead regulations, including the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821-4846), the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851-4856), and the HUD Lead-Based Paint regulations (24 CFR Part 35). In accordance with 24 CFR Part 35, these standards apply to CDBG-funded residential housing projects and their related program activities including Construction, Rehabilitation, Acquisition, Leasing, Support Services, or Operation. It is recommended that CDBG subrecipients reference HUD's Lead-Based Paint page for the latest updates on regulations and resources available:
https://www.hudexchange.info/programs/lead-based-paint/?utm_source=HUD+Exchange+Mailing+List&utm_campaign=af719a8611-New-LBP-Page-On-HUDExchange-10%2F26%2F2020&utm_medium=email&utm_term=0_f32b935a5f-af719a8611-19299933

SUBRECIPIENT, CONTRACTOR, AND SUBCONTRACTOR OBLIGATIONS

Provisions for the elimination of Lead-Based Paint hazards found in 24 CFR Part 35 subpart B must be followed by all subrecipients, contractors, and subcontractors engaged in applicable CDBG funded residential housing activities. The Property Owner will be responsible for the inspections and certifications required under Section 35.14(f) thereof.

As such, CDBG recipients must certify that no lead-based paint will be used in residential units assisted with CDBG funds. Residential property means a dwelling unit, common areas, building exterior surfaces, and any surrounding land, including outbuildings, fences and play equipment affixed to the land, belonging to an owner and available for use by residents, but not including land used for agricultural, commercial, industrial or other non-residential purposes, and not including paint on the pavement of parking lots, garages, or roadways. The City of Orem must document that all occupants of structures built before 1978 have been notified of the hazard of lead-based paint. The following procedure will be utilized in notification of residents and evaluation of Lead-Based Paint hazards:

- Notification Requirements: Landlords renting units in structures built before 1978 must utilize the pamphlet entitled "Protect Your Family from Lead in Your Home" to notify their tenants of the potential hazards of lead-based paint. The same pamphlet must also be used to notify buyers of homes built before 1978 of the hazards of lead-based paint. The landlord/seller must document that the tenant/buyer was provided with the pamphlet.
- Identification of Defective Paint Surfaces: Subrecipients must complete visual inspections for defective surfaces in all property constructed prior to 1978. All interior and exterior surfaces, including those in common areas must be examined. Subrecipients must contact the City of Orem CDBG Coordinator if defective paint surfaces are detected. Surfaces identified as being defective shall require further analysis by an individual certified either by a State or Indian tribe with a lead-based paint certification program authorized by the Environmental Protection Agency (EPA) or by the EPA itself and shall require interim controls (a set of measures designed to temporarily reduce human exposure to lead-based paint hazards). The presence of lead based paint may ultimately require lead based paint abatement.
- Lead Hazard Evaluations: Federal regulations require that Lead Hazard Evaluations be performed by EPA-certified inspectors on all pre-1978 homes receiving over \$5,000 in federal funds. The "chewable surfaces" of any home occupied by a child under seven years old who has an identified blood lead level must be tested for lead content using an approved lead detection method. Subrecipients should keep the Community Services staff informed of the status/results of lead based paint testing. Lead based paint remediation efforts must be taken if "chewable surfaces" test positive for lead.

In the case that applicable local regulations and codes governing Lead Based Paint hazards

differ from the City of Orem CDBG standards and federal regulations above, subrecipients are held to the stricter of the standards. State of Utah regulations regarding Lead-Based Paint are found here: <https://rules.utah.gov/publicat/code/r307/r307-842.htm>

CONTRACTUAL REQUIREMENTS REGARDING LEAD BASED PAINT

To ensure compliance with federal regulations, written agreements between the grantee and subrecipients for projects involving applicable residential housing project and program activities shall include a requirement that the specifications of the project include a prohibition against the use of Lead-Based Paint as mandated by Section 401(b) of the Lead-Based Paint Poisoning Prevention Act and a requirement that all subrecipient, contractor, and subcontractor actions are consistent with the requirements of 24 CFR 35 subpart B.

All subrecipients working on applicable residential projects, as described above, will submit a written policy regarding Lead Based Paint (as listed in the subrecipient checklist) which clearly states how the subrecipient will comply with the relevant federal regulations listed above and how the subrecipient will act in the instance that Lead Based Paint is discovered.

LABOR STANDARDS AND DAVIS BACON REQUIREMENTS

Construction management under CDBG requires that certain procedures be followed in order to comply fully with applicable Federal requirements. Federal labor standards are one component that requires recipients, contractors, and subcontractors, to meet and document compliance with regulations associated with the employment of workers on construction projects. This chapter describes the policies and procedures that must be followed when undertaking construction projects with CDBG funds.

The Davis-Bacon Act and Related Acts are applicable to all contracts for construction, alteration, and/or repairs, including painting or decorating, equipment installation and demolition (as applicable) in excess of \$2,000 that involve CDBG funds (in whole or part), with the exception of rehabilitation of a residential structure or residential properties under one ownership that will contain less than eight units when completed. These provisions do not apply to construction work done by employees of the grantee (force account workers). Employees of utilities are exempt providing they are only extending service to the property. These federal labor standards provisions can be found in HUD Form 4010, and subrecipients and their contractors must comply with these provisions.

Compliance with these provisions is overseen by the Community Services staff and begins upon the execution of a subrecipient agreement for any CDBG-assisted construction projects. The Community Services staff will carry out these procedures as follows:

STEP 1: Send an initial “labor compliance” email to the subrecipient upon execution of the subrecipient agreement. This email includes the “Labor Compliance Process and File Checklist for Subrecipients”, the “Davis-Bacon Labor Standards: a Contractor’s Guide”, HUD Form 4010, and the most current wage decision.

STEP 2: The subrecipient prepares and publishes a request for bids in the local newspaper and/or online bid service such as BidSync, as outlined in the subrecipient checklist.

STEP 3: Ten days prior to bid opening, the subrecipient must contact the Community Services staff to request any update to the wage decision. If an update has been released since the opening of the bid process, the subrecipient must send notice to interested bidders that a new wage decision is applicable to the project.

STEP 4: The subrecipient must select the lowest responsible bidder and send the bid tabulation to the Community Services staff. After a bidder is selected but prior to entering into a contract, the subrecipient project manager must provide the company name, DUNS number, and name of principals to the Community Services staff. The Community Services staff will check the eligibility of the prime contractor via sam.gov and send a contractor eligibility letter (see “Debarment and Suspension” Chapter) to the subrecipient clearing them to enter into a contract with the prime contractor. Record of sam.gov registration, dated and initialed by the Community Services staff is kept in the project Davis Bacon file. It is the responsibility of the prime contractor to verify the eligibility of lower-tier contractors/subcontractors. This is done by collecting a debarment certification form from the subcontractor prior to entering into a contract.

STEP 5: A pre-construction meeting is held with the subrecipient project manager, the Community Services staff, the prime contractor and their payroll staff, and all available subcontractors and their payroll staff. The Community Services staff will review labor compliance requirements of the project. The subrecipient is prohibited from issuing a formal “Notice to Proceed” until after the pre-construction meeting and contract signing.

STEP 6: During the construction of the project, the Program Coordinator collects weekly certified payrolls from the contractor and subcontractors, as well as all other required compliance documents found in the

"CDBG Labor Compliance Process and File Checklist for CDBG staff" (see E114-E117). The Program Coordinator reviews payrolls for accuracy and compliance and sends notice of corrections or wage restitution when required. Notice is first sent via email. A letter is sent with a 30-day timeline if there is no response to the email or adequate corrections are not made in a timely fashion.

STEP 7: The Program Coordinator performs project monitoring visits to verify that the project is being carried out according to the subrecipient agreement scope of work and requirements of the construction contract and federal labor compliance provisions. Any notes and photos are included in the project Davis Bacon file. The Program Coordinator also conducts employee interviews to compare information provided in the certified payrolls. Interviews are conducted using the "Record of Employee Interview", found at E118-E119.

STEP 8: Program Coordinator compares the record of employee interview to certified payrolls and the applicable wage decision to ensure that the contractor and subcontractors are complying with wage provisions. These interview records are included in the project Davis Bacon file.

STEP 9: Once the project is complete, all required documents are received, and any required restitution is paid, the Program Coordinator sends a notice to the CDBG Program Manager, subrecipient, and prime contractor, notifying them that all labor compliance requirements have been met. Final reimbursement to the sub-recipient will not be approved until this step is complete. Final photos of the completed project are included in the project Davis Bacon file. The project completion will be reported to HUD, as well as reporting on all covered contracts awarded and all enforcement actions taken each six months. This reporting process is outlined in greater detail in the Reporting the HUD chapter.

THE INTEGRATED DISBURSEMENT AND INFORMATION SYSTEM (IDIS)

The Integrated Disbursement and Information System (IDIS) is an online system sponsored by HUD's Office of Community Planning and Development. IDIS operates on a real-time, web-based application to provide tools for tracking, financial disbursement, and reporting for the CDBG Program. The system serves as a centralized location for City of Orem CDBG staff to manage program funding drawdowns and report on the accomplishments of the program as outlined in the Consolidated Plan in addition to the Neighborly platform and other internal systems. IDIS is also used by the City of Orem to communicate community needs and plans to HUD, as well as generate documents to communicate needs, plans, activities, and accomplishments to the community.

USE OF THE INTEGRATED DISBURSEMENT AND INFORMATION SYSTEM

The Orem CDBG staff use IDIS frequently throughout the program year for all of its intended tasks, including but not limited to:

- Project Setup: submitting the Consolidated Plan, Annual Action Plan, and CAPER to HUD
- Activity Creation
- Activity Funding
- Drawdowns
- Receipting
- Accomplishment Reporting

The Orem CDBG staff will refer to the most recently published HUD guide on the use of IDIS for CDBG Entitlement Communities for up-to-date information on using the system. The guide is available at the following web link: <https://www.hudexchange.info/programs/idis/guides/cdbg/>

The published guides will be used in training staff who are new to the use of IDIS and as the primary reference for questions or concerns about completing tasks in IDIS.

IDIS SECURITY AND PASSWORDS

IDIS contains important information regarding the City of Orem CDBG program, including financial records and personal contact information for CDBG staff and subrecipients; for this reason, ensuring that access is restricted to authorized users is a priority for the City of Orem CDBG Program. To accomplish this, each person entitled to the use of IDIS will have a unique password. IDIS passwords will be kept confidential, known only to the person using them for IDIS access, and the password will not be accessed by anyone else at any time. In addition, CDBG staff must fill out the IDIS Online Access Request Form (HUD Form 270055) and receive a notarized signature on the form from the City Manager and/or Mayor. The form is available at: <https://www.hud.gov/sites/dfiles/OCHCO/documents/27055.pdf>

For additional information regarding IDIS procedures, please refer to the chapters addressing financial management, reporting to HUD, and grant closeout, as well as the HUD guide listed in this chapter.

TRAINING AND TECHNICAL ASSISTANCE

Training and Technical Assistance go hand-in-hand with subrecipient monitoring as effective tools to avoid problems and foster improved performance through an ongoing process of planning, implementation and follow-up. These processes take place in 3 general categories:

- Orientation, which is hosted by CDBG staff each year through the *How to Apply Workshop*, typically held in October.
- Training, which is provided by CDBG staff each year through the Grantee Workshop, typically held in May. Other trainings may be held as needed and are typically aimed at larger audiences, address specific issues, and provide sufficient technical detail for subrecipients to understand and implement the applicable program requirement, as well as foster improved performance and long-term capacity of subrecipients.
- Technical Assistance, which is typically provided in one-on-one or small group settings, and is aimed at correcting specific weaknesses or improving a specific project or program that is already underway.

GRANTEE RESPONSIBILITIES

The City of Orem CDBG is committed to providing technical assistance to subrecipients throughout the grant process. First, CDBG staff will host the *How to Apply Workshop* each program year as an orientation aimed specifically at helping new applicants learn to navigate the application process and ensuring compliance with federal regulations. This is an important workshop for establishing program expectations and documentation protocols for subrecipients up front. CDBG staff will host the Grantee Workshop each program year to provide more in-depth training on federal and program-specific requirements and procedures to subrecipients that have had projects approved for the upcoming program year.

CDBG staff will host other group training events as necessary when major changes take place regarding any requirements in the CDBG program. As such, staff will be expected to keep up-to-date on the latest memos from HUD and procedural updates from the HUD Field Office.

Technical Assistance may be formal in nature, taking place as part of formal monitoring visits with particular subrecipients, especially if there are findings by CDBG staff or other major issues that need to be corrected. In addition, many technical assistance interactions will be informal in nature, through activities such as answering questions by phone or email, or promoting the availability of HUD-sponsored training or other capacity-building activities.

The City of Orem CDBG program is committed to assisting subrecipients in their efforts to apply for CDBG funding and successfully complete projects with all associated federal and state documentation and compliance requirements. In addition, it is committed to adhering to all applicable Civil Rights, Section 3, and Equal Opportunity laws and regulations. Thus, The City of Orem CDBG program will make it a priority to provide technical assistance to Minority Business Enterprises (MBEs), Women Business Enterprise (WBEs), subrecipients who employ Section 3 residents, and Community-Based Development Organizations (CDBOs) who need assistance in developing proposals or adhering to regulations when a project is underway. Finally, Utah County CDBG will attempt to provide one-on-one technical assistance to each subrecipient at least once per year throughout the duration of a project.

MONITORING

CDBG regulations found at 24 CFR 570.501(b) state that “the recipient is responsible for ensuring that CDBG funds are used in accordance with all program requirements. The use of...subrecipients...does not relieve the recipient of this responsibility. The recipient is also responsible for determining the adequacy of performance under subrecipient agreements...and for taking appropriate action when performance problems arise.” To fulfill this requirement, CDBG staff members perform technical assistance visits, desk monitoring, and on-site monitoring of subrecipients. This process is oriented towards resolving problems, promoting timely implementation of programs, and ensuring project success.

Program Monitoring Goals:

- To review subrecipient agencies to determine if deliverables are being completed in accordance with contract requirements regarding type of services and number of units of service.
- To review subrecipient records to determine if systems are in place to properly document the provision of services, client eligibility, and compliance with any other contract requirements.

Fiscal Monitoring Goals:

- To review subrecipient program implementation to determine if expenditures of allocated funds are being made in accordance with contract requirements.
- To review subrecipient records to determine if systems are in place to properly document financial transactions, the use of allocated funds, use of program income, and any other contract requirements.

SUBRECIPIENT FILES

Subrecipients must maintain the following project documents to be reviewed during desk monitoring and/or onsite monitoring. Additional documents may be requested as needed during monitoring and should be made available to CDBG staff in a timely manner.

- National Objective Documentation
- Environmental Review Record
- Signed Sub Recipient Agreement
- Any amendments to Sub Recipient Agreement
- Certifications: Anti-discrimination, Fair Housing, ADA/Section 504, EEO, others required in the Sub Recipient Agreement
- Most recent audit/single audit
- Current approved budget
- Financial Status Report/990
- Chart of accounts (general ledger)
- Documentation of any required match (if required)
- Documentation of negotiated indirect cost rate (if applicable)
- Program Income Tracking Ledger (if applicable)
- Payroll records (timesheets, salary schedule) (if applicable)
- Payment requests with source and backup documentation
- Client documentation (income verification sheets and zip code data)
- Reporting documents (monitoring reports, technical assistance, etc.)
- Articles of Incorporation
- Tax Determination Letter
- Board of Directors Roster
- Authorization to Request Funding
- Organizational Chart
- Conflict of Interest Policy

- Non-Discrimination Policy
- Grievance/Termination Policy
- Procurement Policy
- Record Retention Policy
- Confidentiality Policy
- Certifications of policy compliance
- Davis Bacon Paperwork (if applicable)

TECHNICAL ASSISTANCE VISITS

Technical assistance visits are provided as needed, either by request of the subrecipient or as deemed necessary by CDBG staff. A technical assistance visit is informal by nature and may be conducted by the Community Services staff. The intent of these visits is to share information that will enable the recipient to comply with the various requirements of their grant subrecipient agreement.

Examples of technical assistance include:

- Explanations of project start-up requirements and assistance with establishment of program files. Subrecipients must demonstrate compliance with applicable regulations and document compliance by
- maintaining accurate and complete records and files.
- Guidance on technical requirements such as the environmental review process, Davis Bacon compliance, job creation, etc.

Most problems encountered with the grant can be resolved early and need not show up later as “concerns” or “findings” through a monitoring. Subrecipients are encouraged during the Grantee Workshop, held prior to entering into subrecipient agreements, to contact CDBG with any questions or requests for assistance. These requests will be responded to in a timely manner by the Community Services staff to ensure that needed assistance is given as quickly as possible.

DESK MONITORING

Desk monitoring is performed by the Community Services staff each time a subrecipient submits a performance report and reimbursement request. These are submitted via the grant management software system invoice as frequently as monthly up to annually, as determined by the subrecipient agreement. During desk monitoring, the Community Services staff confirms that performance goals and objectives of the Consolidated Plan and Annual Action Plan are being achieved through the sub-grantee's projects and programs, reviews the subrecipient's contract, compares the scheduled time frame and budget to draw down requests, ensure that invoices match drawdown requests, and if necessary, take appropriate actions to address performance problems.

ON-SITE MONITORING

The on-site monitoring visit is a collaborative effort between the subrecipient and CDBG staff. The monitoring process begins with a call or email to the subrecipient from the Community Services staff indicating that the subrecipient has been selected for on-site monitoring. The purpose of the call or email is to coordinate the date and time of the on-site monitoring visit, to provide general information on the nature and scope of the review, and to confirm that key subrecipient staff (project manager, financial manager, etc) will be available for the date and time selected.

Subsequent to the introductory call or email, the Community Services staff will prepare the Intent to Monitor Letter. This letter will be emailed no less than 2 weeks prior to the agreed upon date of the on-site monitoring visit and indicates the purpose of the monitoring visit, as well as the proposed date, time and location of the monitoring visit. To assist the subrecipient in preparing for the visit, the file checklists, monitoring questions, and any applicable monitoring exhibits will be included.

PROGRAM MONITORING PROCESS

Entrance Conference:

Monitors meet with the agency director to answer any questions regarding the monitoring process and are introduced to appropriate staff to begin work. The monitor will:

- Meet staff responsible for the intake process, preparation for reports of units of service, and direct service provision.
- Review records selected for monitoring and discuss record keeping methods with staff who maintain them. Copies of certain documents and records may be made for purposes of preparing the report.

Records which will be reviewed by the monitor include but are not limited to:

- Units of service reports sent to the City for the period under review
- Daily logs, time sheets, or other documents used to derive the number of units reported.
- A list of client records will be requested after review of the unit tallies. These client records should include eligibility documentation and records of services provided.

Review of Records:

Subrecipients are required to report the units of service with each request for funds. The monitor will check the agency records against City records regarding these reports. The monitor will:

- Determine if amounts in agency records reported match amounts noted in County records.
- Determine if reports are presented in a timely manner (by the date specified in the contract).
- Determine if reports are completed in a satisfactory manner.
- Determine if the quantity of units provided is roughly proportionate to the amount of the allocation expended.
- Determine if the agency is significantly behind in the provision of units.

The monitor will review documents used by the agency to derive the number of units reported. The monitor will:

- Determine whether the number of units reported in sample months matches the number in the backup documents.
- Determine if units are in keeping with the contract definition.
- If units are differentiated between types, determine that only units of the types listed in the contract are billed for CDBG clients.
- Develop a list of client files to be reviewed from the sample months, listing client number, client name, date of service, number of units served and type of service.
- Present list to staff and allow a reasonable length of time for client files to be pulled for review.

The monitor will review client files for:

- Documentation of eligibility which is dated within twelve months of the sample service date.
- Documentation of residence within the Orem City limits.
- Documentation of income equal to or lower than 80% of the median income for Utah County.
- Documentation of Presumed Benefit status on the form(s) provided in the contract.
- Documentation of the provision of services which meet the terms of the contract.
- Determine if the date of service and type of service provided which was taken from the tally log is also recorded in the client file and appears to be reasonable.
- Review complete file for each client determining whether services being provided are in accordance with the contract, whether client is in contract's target population (such as client who is documented as homeless being visited at home).
- Where applicable, determine if client notes are dated, reflect the units provided, are signed by the caseworker, complete and informative as to the client's progress.

- Determine if files are complete and maintained in an orderly fashion.
- Obtain blank copies of intake and other pertinent documents used by the agency.

Throughout the course of the on-site visit, the monitor will observe interactions between staff and clients and the condition of the facility.

The monitor will observe whether the Equal Employment Opportunity placard has been posted as required by law. The monitor will:

- Observe whether an official placard has been posted.
- Determine if it is available for viewing by employees.
- Determine if it is available for viewing by applicants for employment.

Exit Conference:

The monitor will meet with the agency director to discuss results of the monitoring. Director may invite staff and/or board members as he/she deems appropriate.

- Discuss findings, if any, and methods of correcting each individual deficiency.
- Discuss concerns, if any, and methods of correcting concerns.
- Discuss any observations made regarding the agency and offer technical assistance where applicable.
- Answer any questions the agency director or staff may have.

A formal, written follow-up procedure will take place regarding any findings identified as part of the monitoring visit. This process is detailed in the Fiscal Monitoring section below.

FISCAL MONITORING PROCESS

Program and fiscal monitoring may or may not be scheduled concurrently, depending on risks identified during the risk assessment, desk monitoring, and technical assistance visits. In some cases, it may be necessary to perform a follow up monitoring visit. The agency will be informed as to the initial records to be reviewed. These records should be collected and available at the working space set up for the monitor and should be in an understandable format.

Entrance Conference:

Monitors will meet with the agency director to answer any questions regarding the monitoring process. The monitor will:

- Meet staff responsible for preparing reimbursement requests, payroll, and maintaining accounting records.
- Review records selected for monitoring and discuss record keeping methods with staff who maintain them. Copies of certain documents and records may be made for purposes of preparing the report.

Records to be reviewed by the monitor may include, but are not limited to:

- Time and attendance reports (timesheets or time cards)
- Payroll register
- Cash receipts journal
- Check disbursement journal or check register
- Bank statements and/or canceled checks
- General ledgers
- Invoices and purchase orders
- Bank reconciliation
- Any additional item (vouchers, documents, financial reports, records, etc.) needed to verify transactions

Review of Records:

Salary - The monitor will:

- Review time and attendance reports for time billed to CDBG and verification of reports by supervisor.
- Check to see if there is a clear audit trail between the time and attendance reports, payroll register, general ledger accounts and federal & state reports.
- Test computation for gross amounts, deductions, and net payments.
- Verify canceled checks for amounts and endorsements.
- Verify employees' time from time cards to the time reported to CDBG on reimbursement requests.
- Verify that the salary costs requested for reimbursements are allowable under the terms of the contract.

Property and Equipment - The monitor will:

- Verify invoices and payments.
- Verify purchase of equipment is in agreement with general ledger account and financial reports.
- Ensure that purchased equipment is allowable.
- Verify calculation of depreciation (if applicable)
- Make physical inspection of equipment (if applicable)

Other Operating Expenses - The monitor will:

- Examine invoices and related canceled checks.
- Review invoices for approvals and account distribution.
- Determine if the costs are allowable.
- Verify agency's line item costs to amounts requested for reimbursement.
- Verify that amounts requested for reimbursement agree with posting to general ledger accounts.
- Select insurance invoices to verify that the amounts requested for reimbursement apply only to Community Development employees.

Revenue - The monitor will:

- Verify amounts disbursed by the City to reconcile with funds received by the agency.

Overall Accounting Review - The monitor will:

- Review the process used to record the various transactions and determine if it is effective.
- Review the actual transactions and their supporting documentation, determining eligible reimbursement expenses. In order for an expenditure to be considered eligible for reimbursement, the following requirements must be met:
 - The expenditure must be for the current funding period
 - It must be an expenditure related to CDBG activity
 - It must be an expenditure permitted by the contract
- Review the overall agency performance to determine if it is within compliance according to the contractual terms and conditions.
- Determine if the prior year's monitoring findings have been corrected and are not being repeated.

Exit Conference:

The monitor will meet with the agency director to discuss results of monitoring. Director may invite staff and/or board members as he/she deems appropriate.

- Discuss findings, if any, and methods of correcting each individual deficiency.
- Discuss concerns, if any, and methods of correcting concerns.
- Discuss any observations made regarding the agency, offer technical assistance where applicable.
- Answer any questions the director or staff may have.

Within thirty days after the completion of the on-site monitoring visit, a written report of the results of the monitoring visit will be forwarded to the subrecipient. If the program and fiscal monitoring were performed concurrently, the reports for both will be combined under a single cover letter. The monitoring report contains:

- A detailed list of areas reviewed.
- A detailed list of findings, if any. A corrective action will accompany each finding explaining how the deficiency can be corrected.
- A detailed list of concerns, if any. Depending on the nature of the concern, a recommendation may be included on how to eliminate the concern.
- Observations, if any, made regarding the agency's operation.
- If findings are severe, the letter accompanying the report may place a hold on further reimbursements to the subrecipient until the findings are cleared.

Within thirty days after receipt of the monitoring report, the subrecipient must submit a written response to the monitoring report, unless there were no findings or concerns. The response should include:

- A response to each individual finding and concern, if applicable.
- Copies of any documentation to back up the response to the findings (copies of corrected employee monthly time reports, etc).

Upon receipt of the subrecipient's response to the monitoring report, the monitor will review the response to determine if the findings have been satisfied. A written response to the subrecipient's response will be sent to the agency, to include the following:

- Those findings which have been satisfied will be noted as closed. If all findings are closed, the subrecipient's monitoring for the year under review is considered to be complete.
- Findings which are not satisfied will remain open and will require further response or action on the subrecipient's part.
- The subrecipient will be given an adequate period of time to take any further action needed to correct the findings and respond in writing.
- If these actions are satisfactory, the findings are noted as closed and the monitoring is considered to be complete.
- If these actions are not satisfactory, further correspondence is required until such time as all findings are closed and the monitoring is concluded.
- The close of the contract does not necessarily close the monitoring. Correspondence will continue until all findings are closed.

HIGH RISK SUBRECIPIENTS

A subrecipient is considered high risk when it is identified for on-site monitoring in three or more consecutive program years due to any combination of risk factors. On-site monitoring of high risk subrecipients generally results in multiple findings of non-compliance that may also require the repayment of CDBG funds. It is the intent of the CDBG Program to cultivate positive partnerships with high-performing subrecipients. However, in the event that a subrecipient does not perform to expectations, the City has a responsibility to its residents and to HUD to address problems with subrecipients directly and fairly. There are three progressive approaches to address subrecipients that are determined to be high risk, including early intervention, intervention for more serious or persistent problems and finally the imposition of sanctions.

Early Intervention involves any combination of the following:

- Developing strategies with the subrecipient that include additional training and technical assistance; or

- Requiring more frequent or more thorough reporting by the subrecipient; or
- Conducting more frequent on-site monitoring visits.

Intervention for More Serious or Persistent Problems involves any combination of the following measures:

- Placing restrictions on the subrecipient's payment requests; or
- Disallowance of subrecipient expenses; or
- Requiring repayment of CDBG funds expended in an ineligible manner; or
- Imposing probationary status whereby the subrecipient is limited in its ability to conduct certain business without prior review and written approval of the Program Manager.

Imposing Sanctions involves any combination of the following measures:

- Temporarily suspending the subrecipient; or
- Not renewing or funding the subrecipient in subsequent program year(s); or
- Termination of the subrecipient's activity for the current program year; or
- Initiation of legal action.

REPORTING TO HUD

Reporting on program progress and performance to HUD is a crucial aspect of the CDBG program, allowing the City of Orem to ensure that the goals of the program are being met and that HUD can collect and report on the CDBG program's successes at a national level. City of Orem's CDBG program goals are outlined in the Consolidated Plan (ConPlan) and Annual Action Plan (AAP), which connect back to HUD's national goals of creating suitable living environments, providing decent housing, and creating economic opportunities. In the process of creating the ConPlan and AAP, CDBG staff establish the community's needs, set goals to meet those needs, then report back to HUD through the Consolidated Annual Performance and Evaluation Report (CAPER) on how the needs and goals are being met through CDBG activities and projects. Thus, the ultimate goal of tracking indicators and submitting detailed progress reports is to ensure that the needs of the local community are being met in the most effective manner possible.

CDBG regulations and other federal requirements necessitate submission of four reports throughout the program year in addition to the Consolidated Plan that is submitted every 5 years and the Annual Action Plans and Consolidated Annual Performance and Evaluation Reports that are submitted to HUD annually. The four additional reports are:

- Cash on Hand report
- Contract-Subcontract Activity Report
- Semi- Annual Labor Standards Enforcement Report
- Section 3 Summary Report

The reports listed above are crucial for documenting and certifying City of Orem CDBG's program compliance. In addition, timely and accurate reports (or lack thereof) are used by HUD to assess the program's risk on an annual basis to determine which grantees will receive on-site monitoring visits. Thus, proper preparation of these reports is critical to the program's reputation and success.

CAPER REQUIREMENTS

The City of Orem will follow the standard HUD procedure of using IDIS to comply with all current reporting requirements and prepare the CAPER. Annual reporting will be automatically initiated in IDIS as CDBG staff updates current activities to include all required financial and performance information. In addition to the financial and performance information, a narrative component of the CAPER is required, which should be informed by the relevant project information, as reported in IDIS Report PR06, Summary of Consolidated Plan Projects.

The CAPER report must be made available for public examination and comment for a period of at least 15 days. Then, the report must be submitted to HUD no later than 90 days after the close of the grantee's Consolidated Plan program year (September 29th). Once approved by HUD, the City of Orem will make copies of the submitted report available to the public for examination upon request; these copies will be stored in a physical file and available on orem.org/cdbg. The submitted CAPER will then be retained for a period of not less than 4 years, in accordance with HUD's uniform administrative requirements of CDBG regulations.

CASH ON HAND REPORT

The Cash on Hand Report, a replacement of the previous SF-425 Report, is submitted quarterly through IDIS; the report requires entry of information regarding Grant Funds and Revolving Funds that were received, drawn down, disbursed, or returned, as well as the total cash on hand at the end of the reporting period. CDBG staff is responsible for verifying that all information being entered into the report in IDIS is complete and correct. The report will be submitted each quarter by the Community Services staff. Detailed instructions on the use of the Cash on Hand Report through IDIS are found here: <https://www.hudexchange.info/resource/5947/instructions-for-idis-cash-on-handquarterly-report/>

See the chapter on Financial Management for additional information on the City of Orem CDBG's fiscal recordkeeping and reporting policies.

CONTRACT-SUBCONTRACT ACTIVITY

The HUD Form 2516 (https://www.hud.gov/sites/documents/DOC_11712.PDF) is used to monitor and evaluate the success of the City of Orem CDBG's efforts to meet objectives related to minority business enterprises (MBEs) and women business enterprises (WBEs). This report is key to helping City of Orem's CDBG with implementation of MBE and WBE goals. The report is prepared by the Community Services staff who tracks the information throughout the year, then submitted to the HUD Financial Analyst in the Region 8 Office twice a year, on the same schedule as the Semi-Annual Labor Standards Enforcement Report (see below).

SEMI-ANNUAL LABOR STANDARDS ENFORCEMENT REPORT

HUD Form 4710, the Semi-Annual Labor Standards Enforcement Report, covers either October 1-March 31 or April 1-September 30 (Periods 1 and 2 on Form 4710, respectively). This report ensures compliance with Davis-Bacon and Related Acts (DBRA) and the Contract Work Hours and Safety Standards Act (CWHSSA) by listing each project/contract awarded during the reporting period for which DBRA or CWHSSA is applicable. The report is prepared by the Community Services staff, who tracks the information throughout the year, then submitted to the Field Office Labor Relations representative within 7 calendar days subsequent to the end of the period covered, or upon request. In addition, Form 4710 contains information of enforcement activities undertaken by City of Orem's CDBG. Enforcement activities are reported separately from contract awards and each is reported once. Thus, enforcement activities may appear under a different period than the award of the contract; for example, if the contract was awarded in Period 1 and an enforcement activity took place during Period 2, they would be reported on different forms despite applying to the same contract.

SECTION 3 SUMMARY REPORT

The HUD 60002 Section 3 Summary Report is the designated form for the City of Orem's CDBG program to report on its accomplishment of Section 3 Goals, as prescribed in 24 CFR Part 135. For additional information regarding Section 3 requirements, please refer to the applicable chapter in this guide. The Section 3 Summary Report must be prepared by the Community Services staff then submitted 90 days after the end of the program year (usually the end of September) to HUD online through the Section 3 Performance Evaluation and Registry System (SPEARS). A guide on the use of SPEARS is found at: <https://www.hud.gov/sites/documents/1560002INSTRUCTIONS.PDF>

AUDITING REPORTS

In accordance with 2 CFR Part 200, all non-federal entities that expend \$750,000 or more in a fiscal year must have a single audit that meets the requirements described in that regulation. As such, the City of Orem performs a single audit annual of the entire organization each year; the audit covers the CDBG program, so a separate audit is not required.

ONGOING PERFORMANCE MEASUREMENT POLICIES

CDBG staff will collect performance data from subrecipients for all open activities in IDIS as required under the subrecipient agreement (usually quarterly) through each program year. This performance data will cover the reporting requirements of the national objective for the associated project/ activity. The collection of this performance report will allow evaluation of progress and facilitate the entry of accomplishment data into IDIS. The report will also allow issues to be resolved early and prevent last minute problems from arising in performance reporting, as well as provide an opportunity for training and technical assistance if necessary. All ongoing performance reports will be collected through City of Orem CDBG's web-based grant management system (Neighborly).

GRANT CLOSEOUT

Grant closeout is the formal process conducted by CDBG staff to ensure that all program and financial reports which demonstrate compliance with applicable federal regulations are on file and ready for audit. The grant closeout process is critical for ensuring continued good standing of the City of Orem CDBG program with HUD. Additionally, the process demonstrates that all obligations have been or will be met for a particular program year's funding, and that associated records have been maintained. Throughout this chapter, portions of the applicable federal regulations, found in 24 CFR § 570.509, will be referenced and quoted, and CDBG staff will refer to these regulations when demonstrating the full compliance of the City of Orem CDBG program.

PROGRAM CLOSEOUT

The City of Orem CDBG program will verify that all required activity records have been completed and are included in the appropriate file to be maintained by CDBG staff for at least four years. This process will entail the following:

- Ensure that "All activities for which funds were expended from the origin year grant are physically completed, are eligible, have met a national objective under § 570.208, and the grantee has reported on all accomplishments resulting from the activity" (24 CFR § 570.509). Project completion, National Objective eligibility, and associated documentation are verified through an eligibility checklist at the beginning of the grant year, subrecipient progress reports throughout the course of a project, and beneficiary reports. All accomplishments for each project are then reported in IDIS.
- Review of final progress and beneficiary reports, due 30 days after the end of the program year. Verify that reports are consistent with the scope of work outlined in the subrecipient agreement, observations from monitoring visits, and other related project files.
- Review of the key documents to be kept by CDBG staff, as outlined in this guide, to verify that all necessary documents are completed and present in the fiscal year project file for record retention.
- Evaluation of activity and program accomplishment, ensuring that applicable reports including, but not limited to: Section 3 Summary Report and income documentation, have been completed.

FINANCIAL CLOSEOUT

The financial portion of the grant closeout consists of verifying financial records in preparation for a third party audit, processing the final reimbursement request, and conducting the final IDIS drawdown. First, CDBG staff will ensure that "all costs to be paid with CDBG funds from a given origin year's grant have been expended and drawn down, with the exception of closeout costs (e.g., audit costs) and costs resulting from contingent liabilities described in the closeout agreement. Contingent liabilities include, but are not limited to, third-party claims against the recipient, as well as related administrative costs" (24 CFR § 570.509). This will be completed by comparing IDIS drawdowns to accounting records and project budgets. In addition, staff will verify that no more than 20 percent of the origin year grant was expended for planning and administrative costs. CDBG staff will then verify that an activity has been reported on in the appropriate CAPER, including activity accomplishments and beneficiaries. Finally, CDBG staff will ensure that all costs paid with CDBG funds that have not been audited previously are prepared for coverage in the next single audit, in accordance with requirements in the Single Audit Act (details in 2 CFR part 200). This will ensure that disallowed costs have not been paid with CDBG funds, which costs, if discovered, will require repayment to HUD. In preparation for the audit, CDBG staff will perform desk monitoring each time subrecipients request reimbursement of funds, which consists of verifying that financial records are complete, correct, and kept up to date. Desk monitoring is further outlined in the Monitoring chapter of this guide. Subrecipients selected for onsite monitoring will also receive a review of all financial records that must be kept (including invoices, timecards, canceled checks, budget modifications, equipment purchases, etc), which is

completed by the CDBG staff member conducting the monitoring visit.

FINAL COMPLETION

Once all program and financial closeout procedures listed above have been completed, CDBG staff will perform any final reviews or verification deemed necessary at that time, then will mark the activity "complete" in IDIS. All project files will be kept in the File for the CDBG Grant for the appropriate fiscal year as record of completion.