

CDBG

Subrecipient Manual

Arlington Community Development Block Grant Program



Town of Arlington, MA
Department of Planning and Community Development



TOWN OF ARLINGTON
DEPARTMENT OF PLANNING AND COMMUNITY DEVELOPMENT
TOWN HALL, 730 MASSACHUSETTS AVENUE
ARLINGTON, MASSACHUSETTS 02476
TELEPHONE 781-316-3090

Summer 2022

Dear CDBG Subrecipient,

Congratulations to your organization on receiving a grant through Arlington's Community Development Block Grant (CDBG) program. The Department of Planning and Community Development welcomes your partnership in achieving our community's shared goals.

This competitive program aims to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low and moderate income persons. Every year since 1975, Arlington has received and used CDBG funding to enhance equity amongst residents.

As a subrecipient, your organization must be mindful of adhering to federal, state, and local regulations. Throughout the year, there are reporting requirements that are submitted to the U.S. Department of Housing and Urban Development, the funding agency of CDBG, and with the Town of Arlington, which administers the grant. This manual is intended to be a resource to equip you to be successful and efficient in carrying out your CDBG-funded projects and the related requirements.

Town staff are available to support you throughout the grant cycle. We also welcome success stories and photos that illuminate your organization's use of CDBG to enhance equity, achieve your goals, and support members of our community. It's never too soon to begin thinking about projects for the next application cycle either, so please get in touch if you have ideas. Thank you for your contributions to Arlington!

Sincerely,

A handwritten signature in black ink that reads "Mallory Sullivan". The signature is written in a cursive, flowing style.

Mallory Sullivan
CDBG Administrator

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Part I Introduction

Purpose of Manual

The primary purpose of this manual is to serve as the Town of Arlington's policies and procedures manual for its Community Development Block Grant (CDBG) program subrecipients. It serves as a source of information and guidance when conducting CDBG activities, and is a supplement, not a substitute, to CDBG regulations. The CDBG program is funded by the U.S. Department of Housing and Urban Development (HUD) and is administered to local subrecipients by the Town of Arlington. The Town of Arlington reserves the right to add, remove or change policies, procedures, or forms in this manual.

If a subrecipient is unsure how to proceed after reading the manual, they are encouraged to call the Arlington Department of Planning and Community Development at (781) 316-3094 for assistance. There are also several on-line resources available both at the Town of Arlington and HUD websites.

About CDBG

Authorized by Title I of the Housing and Community Development Act of 1974 (HCD Act) as amended, the Community Development Block Grant program provides annual grants on a formula basis to entitled cities and counties to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low and moderate income persons. Grants are awarded to entitlement communities to carry out a wide range of community development activities directed toward neighborhood revitalization, economic development, and the provision of improved community facilities and services. Applicants for funding must be able to explain the way in which the proposed activity aligns with one of the three CDBG program's national objectives: 1) Benefit low to moderate income persons; 2) Prevent slum or blight; or 3) Address urgent community needs. Each year, Congress votes to determine the overall program funding for the year.

About CDBG in Arlington

Arlington has received CDBG grants annually since 1975. Each year, nonprofit organizations and Town departments apply for a portion of the annual grant for projects. Those who receive funding set goals for the number of individuals they plan to serve, housing units they aim to preserve, jobs they seek to retain or create, or another metric, which the Department of Planning and Community Development uses to measure progress. In recent years, the Town has received grants of about \$1 million annually. Over the past 46 years, Arlington has received over \$55 million from HUD and leveraged millions more through subrecipients, from other public and private sources.

How CDBG funding determinations are made in Arlington

Each winter, the Department of Planning and Community Development issues a notice inviting applications for CDBG-eligible projects. Applications are reviewed by a Subcommittee composed of

residents, members of the Select Board, the Town Manager, and Department of Planning and Community Development (DPCD) staff. The Subcommittee evaluates applications and makes a funding recommendation which is presented to the Select Board for endorsement and then presented to Town Meeting each spring. The Town of Arlington issues a [Citizen Participation Plan](#) to provide for and encourage residents to participate in the development of the Town of Arlington's Consolidated Plan, Annual Action Plan, any substantial changes to the Consolidated Plan or Annual Action Plan, and the Consolidated Annual Performance and Evaluation Reports (CAPER). These recommendations are formed into an Annual Action Plan, which is reviewed and ultimately approved by HUD prior to the distribution of funds to subrecipients.

Contact Information

Mallory Sullivan, CDBG Administrator

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Arlington, MA 02476

Key Terminology and Common Acronyms

- **Annual Action Plan:** The Consolidated Plan is carried out through Annual Action Plans, which provide a concise summary of the actions, activities, and the specific federal and non-federal resources that will be used each year to address the priority needs and specific goals identified by the Consolidated Plan. The current plan is hosted on the [Town of Arlington website](#).
- **CAPER:** Consolidated Annual Performance and Evaluation Report. Grantees report on accomplishments and progress toward Consolidated Plan goals in the CAPER.
- **CDBG:** Community Development Block Grant Program, a federally funded, competitive grant program designed to help small cities and towns meet a broad range of community development needs.
- **CDBG Subcommittee:** The Town body that oversees evaluation of CDBG applications, recommends CDBG budgets, and monitors.
- **CFR:** Code of Federal Regulations, is the codification of the general and permanent regulations published in the Federal Register by the executive departments and agencies of the federal government of the United States. The CFR is divided into 50 titles that represent broad areas subject to federal regulation.
- **Consolidated Plan:** The Consolidated Plan is designed to help states and local jurisdictions to assess their affordable housing and community development needs and market conditions, and to make data-driven, place-based investment decisions. The consolidated planning process serves as the framework for a community-wide dialogue to identify housing and community development

priorities that align and focus funding from the CPD formula block grant programs. The current plan is hosted on the [Town of Arlington website](#).

- **DPCD:** Department of Planning and Community Development
- **Grantee:** The pass-through entity that receives a CDBG grant and administers CDBG funding (The Town of Arlington is the grantee).
- **HUD:** The United States Department of Housing and Urban Development.
- **LMI:** Low- and moderate-income. A low- and moderate- (L/M) income person is defined as a member of a family having an income equal to or less than the Section 8 Housing Assistance Payments Program low-income limits established by HUD applicable to the size of the person's family. A family is defined as all persons living in the same household who are related by blood, marriage, or adoption. An individual living in a housing unit that contains no other person(s) related to him/her is considered to be a one person family for this purpose. Adult children who continue to live at home with their parent(s) are considered to be part of the family for this purpose and their income must be counted in determining the total family income. A dependent child who is living outside of the home (e.g., students living in a dormitory or other student housing) is considered for these purposes to be part of the family upon which he/she is dependent, even though he/she is living in another housing unit.
- **MBE:** Minority-owned Business Enterprise.
- **Microenterprise:** means a business having five or fewer employees, one or more of whom owns the business.
- **Presumed eligible:** Clientele and program participants who are generally presumed by HUD to be principally L/M income persons. The following groups are currently presumed by HUD to be made up principally of L/M income persons: abused children, elderly persons, battered spouses, homeless persons, adults meeting Bureau of Census' definition of severely disabled persons*, illiterate adults, persons living with AIDS, and migrant farm workers.
- **Quarterly Report:** Required documentation submitted by Subrecipients four times each program year, to detail the progress toward accomplishments as described in the Subrecipient Agreement.
- **RFP:** Request for Proposal
- **Subrecipient:** A public or private nonprofit agency, authority, or organization, or a for-profit entity authorized under §570.201(o) to provide microenterprise assistance, receiving CDBG funds from the grantee to undertake activities eligible under the CDBG program.
- **Subrecipient Agreement:** The subrecipient agreement is a contract between the Subrecipient and the Town of Arlington, which outlines the grant award, project, and terms of the grant.
- **USC:** United States Code is the codification by subject matter of the general and permanent laws of the United States.
- **WBE:** Women-owned Business Enterprise

Low-to Moderate Income Limits & Census Blocks for 2022-2023

Clientele with Low-to Moderate-Incomes

For activities meeting the Low-to Moderate-Income (LMI) Clientele national objective, at least 70% of spending must benefit low to moderate income persons. In addition to meeting the 70-percent test, applicants must ensure that the activities proposed, when taken as a whole, will not benefit moderate-income persons to the exclusion of low-income persons. This does not mean that each activity has to include both low- and moderate income beneficiaries, but it further ensures that the CDBG program will *primarily* benefit low-income persons.

The following table outlines the income limits by household size for the current program year. [Income Limits can also be viewed on HUD's User System](#). Select "Massachusetts" then "Arlington town" to view current income limits.

Program Year 48 (2022-2023) Income Limits			
Household Size	Very Low Income (0-30% AMI)	Low Income (31%-50% AMI)	Moderate Income (51%-80% AMI)
1	\$ 29,450	\$ 49,100	\$ 78,300
2	\$ 33,650	\$ 56,100	\$ 89,500
3	\$ 37,850	\$ 63,100	\$ 100,700
4	\$ 42,050	\$ 70,100	\$ 111,850
5	\$ 45,450	\$ 75,750	\$ 120,800
6	\$ 48,800	\$ 81,350	\$ 129,750
7	\$ 52,150	\$ 86,950	\$ 138,700
8	\$ 55,550	\$ 92,550	\$ 147,650

AMI: Area Median Income

Presumed Eligible Groups

Please note that there are several groups which HUD classifies as "presumed eligible beneficiary categories". These groups include:

- abused children
- elderly persons
- battered spouses
- homeless persons
- severely disabled adults (Bureau of annually) Census definition)
- illiterate adults
- persons living with AIDS
- migrant farm workers

Income Certification Form

All participants in CDBG funded programs are required to complete and sign an income certification form. There are some exceptions, such as if the participant has already been deemed eligible by means of another certification process that collects the same information. The individual forms are not collected by the Town of Arlington, however, the information from these forms is submitted to the Town by the Subrecipient on a quarterly basis in summary format.

Please note that it is vital to use the current program year income certification form provided by the Town, as specific income limits change on an annual basis.

2022-2023 CDBG CLIENT BENEFICIARY FORM

This program is supported by Community Development Block Grant (CDBG) funds from the Federal Department of Housing and Urban Development (HUD). Federal regulations require that we obtain the following information to document that assistance is being provided to households that make a low- to moderate-income. This information is collected for statistical purposes only and is kept in strict confidence. The Participant/Guardian should complete this form indicating all persons residing within their household, regardless of whether or not they are related. Income verification is MANDATORY at the time of application. Please attach or provide the necessary supporting documentation.

PARTICIPANT STATUS: FAMILY INDIVIDUAL AGE(S) of PARTICIPANT(S)

Please print the following information

FIRST NAME: LAST NAME:

STREET ADDRESS: CITY/STATE: TELEPHONE:

EMERGENCY CONTACT (NAME, ADDRESS, PHONE):

HOUSEHOLD INFORMATION

Your "household" should include all persons residing within your household, regardless of whether or not they are related.

1. Total number of members in your household:

Please enter the combined gross annual income of your household: \$

In the chart below, find the number of persons in your family in the left-hand column under "Household Size". Then, moving left to right, find the salary range in which your household income falls. For example, a family of four that makes \$48,000 would put a check next to \$40,251-\$67,100.

Household Size	Extremely Low (0% - 30%)	Very Low (31% - 50%)	Moderate (51% - 80%)
1	<input type="checkbox"/> \$0-\$29,450	<input type="checkbox"/> \$29,451-\$49,100	<input type="checkbox"/> \$49,101-\$78,300
2	<input type="checkbox"/> \$0-\$33,650	<input type="checkbox"/> \$33,651-\$56,100	<input type="checkbox"/> \$56,101-\$89,500
3	<input type="checkbox"/> \$0-\$37,850	<input type="checkbox"/> \$37,851-\$63,100	<input type="checkbox"/> \$63,101-\$100,700
4	<input type="checkbox"/> \$0-\$42,050	<input type="checkbox"/> \$42,051-\$70,100	<input type="checkbox"/> \$70,101-\$111,850
5	<input type="checkbox"/> \$0-\$45,450	<input type="checkbox"/> \$45,451-\$75,750	<input type="checkbox"/> \$75,751-\$120,500
6	<input type="checkbox"/> \$0-\$48,800	<input type="checkbox"/> \$48,801-\$81,350	<input type="checkbox"/> \$81,351-\$129,750
7	<input type="checkbox"/> \$0-\$52,150	<input type="checkbox"/> \$52,151-\$86,950	<input type="checkbox"/> \$86,951-\$138,700
8	<input type="checkbox"/> \$0-\$55,550	<input type="checkbox"/> \$55,550-\$92,550	<input type="checkbox"/> \$92,551-\$147,650

2. Female Head of Household? Yes No

3. RACE/ETHNICITY – Please complete both the "Ethnicity" and the "Race" sections below. If you indicate that four people are "Hispanic or Latino", please also select a "race" for those four people.

ETHNICITY Write in the number of household members who are:

Hispanic or Latino

Not Hispanic or Latino

RACE Write in the number of household members who are:

American Indian or Alaska Native

American Indian/Alaska Native & Black/African American

American Indian/Alaska Native & White

Asian

Asian/White

Black or African American

Black/African American & White

Native Hawaiian or Other Pacific Islander

White

Other Multi-Racial (not listed above)

4. Number of Persons in Household with a disability:

5. Number of Persons in Household over age 62:

I certify that this income information is correct and I understand that the information I have provided on my family income is subject to verification by authorized representatives of the town of Arlington, and the United States Department of Housing and Urban Development.



Client Signature (original required)



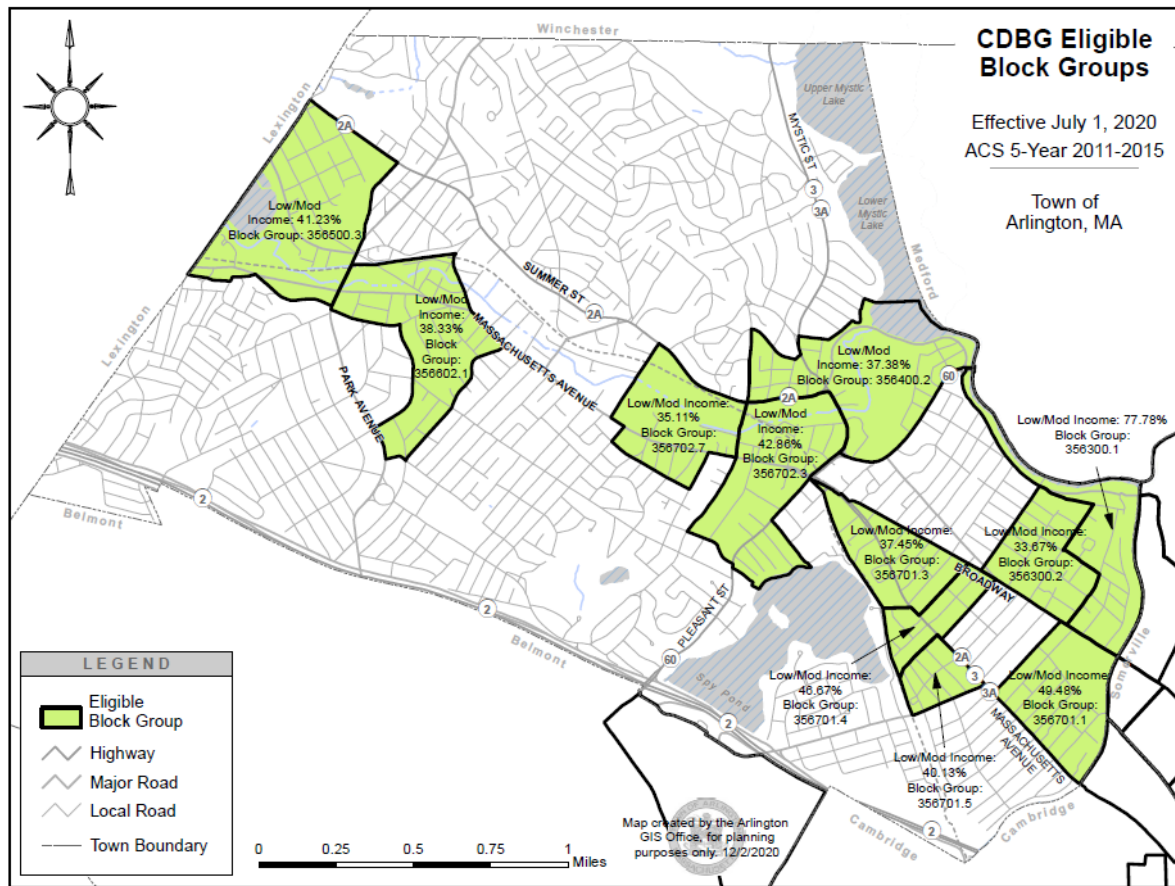
Date

[Click here to download a printable Income Certification Form](#)

Low-to Moderate-Income Area

Activities qualifying for funding based on their location, must be in a Low-to Moderate-Income Area (LMA). An area is considered to meet the test of being LMA if there is a sufficiently large percentage (51 percent) of LMI persons residing in the service area as determined by the most recently available decennial Census/American Community Survey (ACS) information, together with the Section 8 income limits that would have applied at the time the income information was collected by the Census Bureau.

For 2022-2023, the following block groups are classified as LMA in Arlington:



CDBG Annual Grant Cycle & Key Dates

July	Program Year begins Subrecipients sign subrecipient agreement Environmental Reviews are completed for all projects Subrecipients may begin activities and request reimbursements once agreement is fully executed and environmental review has been satisfactorily completed Quarter 4 (of previous year) report due July 10
September	Quarter 1 ends September 30
October	Quarter 1 report due October 10 Submit Quarter 1 expenses for reimbursement
December	Quarter 2 ends December 31 Application for future program year released Information session for future program year applications
January	Quarter 2 report due January 10 Submit Quarter 2 expenses for reimbursement Mid-Year monitoring takes place Applications for future program year due
March	Quarter 3 ends March 31 Submit Quarter 3 expenses for reimbursement
April	Quarter 3 report due April 10 Community Development Week celebrated Submit remaining invoices by May 1st (<i>If you anticipate being unable to meet this deadline, contact the CDBG Administrator</i>).
June	End of quarter 4 and program year

Other Important Links & Forms

[Playing By the Rules](#) A Handbook for CDBG Subrecipients on Administrative Systems

[Arlington's CDBG webpage](#)

[Arlington Consolidated Plan and Annual Action Plan](#)

[Income Certification Form](#)

[Subrecipient Invoice Template](#)

[Subrecipient Quarterly Report Form](#)

[Section 3 Language for Procurement](#)

Part 2 Administrative and Financial Systems

CDBG Subrecipients must maintain administrative and financial records in compliance with CDBG and HUD Requirements. Subrecipients should have fiscal management systems in place that enable them to make sound financial decisions that abide by federal regulation. Recipients must maintain an accounting or financial management system that demonstrates compliance with all applicable federal, state and local laws, rules, regulations, and requirements. If you are concerned about your organization's adherence to or management of administrative and financial systems, please contact the CDBG Administrator, who may provide technical assistance.

Subrecipient Agreement

The contract or "subrecipient agreement" serves three key purposes:

1. Fulfills a legal requirement by presenting a concise statement of the rules of the CDBG program and the conditions under which funds are provided;
2. Outlines the Subrecipient's project and serves as yardstick for monitoring subrecipient performance; and
3. Provides an essential vehicle for training the subrecipient staff how to operate the CDBG program.

The Town of Arlington is the recipient of federal CDBG funding. As an agency awarded funding under this program, your agency must enter a contractual relationship with the Town. The Subrecipient Agreement is not a legally executed contract until it is properly signed by each of the signatories for both the Town and your agency. It is required that your agency sign the document first; once that is done the Town Will then sign it. Only an authorized signatory for your agency can sign this agreement. The Subrecipient Agreement and the program year to which it is associated follows the fiscal year (July 1 - June 30).

Environmental Reviews

Community Development Block Grant (CDBG) regulations require the preparation of a project Environmental Review Record (ERR) and environmental clearance before the project commences and federal funds are expended or costs incurred. The ERR contains all the environmental review documents, public notices and written determinations or environment findings required by 24 CFR Part 58. The environmental review process covers all phases of a project, whether the project is funded in whole or in part with CDBG funds.

Federal regulations require that the Arlington Department of Planning and Community Development determine if project activities will cause adverse impacts to the human environment.

The Arlington Department of Planning and Community Development must also determine whether the project meets other applicable statutory and regulatory requirements.

Most activities will be categorically excluded or exempt, however the **ERR must be completed before the activity begins**. For construction and rehabilitation projects, it is likely that a more in-depth environmental assessment will need to take place. Please note that any funds expended prior to environmental review are not eligible for reimbursement per federal policy. **No project or activity will be initiated until The Arlington Department of Planning and Community Development completes an environmental review and all necessary approvals have been secured.**

Internal Controls

The subrecipient is responsible for establishing and maintaining a system of internal controls to protect the integrity of grant funds. To the greatest extent possible, the system should provide for adequate separation of duties so that no one individual has authority over all fiscal functions. Where separation of duties is not possible due to staff limitations, management should assume an oversight role for the overall functions to be performed.

At a minimum, subrecipients should use the following as a guide regarding segregation of duties:

- No individual shall have complete control over all phases of any significant transaction. In other words, the same person cannot authorize payment, record transactions, and sign checks.
- Record keeping must be separate from operations and the handling and custody of assets.
- Monthly reconciliations and verifications of cash balances with bank statements shall be made by employees who do not handle or record cash, or sign checks.
- Actual lines of responsibility shall be clearly established and adhered to as closely as possible.
- Persons preparing payrolls should not handle the related paychecks.
- All persons who handle financial transactions shall be bonded in accordance with State law.

Recordkeeping Requirements

Every subrecipient is required to establish and maintain at least three major categories of records:

- **Administrative records:** These are files and records that apply to the overall administration of the subrecipient's CDBG activities. They include the following:
 - Personnel files.
 - Property management files.
 - General program files: files relating to the subrecipient's application to the grantee, the Subrecipient Agreement, program policies and guidelines, correspondence with grantee and reports, etc.

- Legal files: articles of incorporation, bylaws of the organization, tax status, board minutes, contracts and other agreements.
- **Financial records:** These include the chart of accounts, a manual on accounting procedures, accounting journals and ledgers, source documentation (purchase orders, invoices, canceled checks, etc.), procurement files, bank account records, financial reports, audit files, etc.
- **Project/case files:** These files document the activities undertaken with respect to specific individual beneficiaries, property owners, and/or properties.

[Record Keeping Checklist](#)

Please note that while the Town of Arlington does not require submission of every item on this list (see pages 8-11 through 8-13), it is within the Town and HUD's rights to request them at any time. Therefore, it is advised that subrecipients maintain these files in a location and format that is easily accessible.

Record Retention

All records pertaining to CDBG awards must be retained for no less than four years after expiration of the contract and any amendments, completion and resolution of the audit and/or any litigation, whichever is later. If there is any litigation, claim or audit findings that extend beyond this four-year period, subrecipients must retain the records until all litigation, claims or audit findings involving the records are resolved. Records for property acquired with CDBG funds must be retained for four years after final disposition. Records for any displaced persons must be retained for four years after persons have received final relocation benefits.

Finance & Accounting Procedures

A Subrecipient's financial management system must meet the audit requirements as specified in [2 CFR §200.501](#). Additionally, all financial transactions with CDBG monies are subject to federal audit. To assist subrecipients in meeting the financial guidelines, DPCD has developed standard procedures under the following:

CDBG Budget

The CDBG Budget, which is part of a subrecipients' CDBG agreement, is used in conjunction with a subrecipient's request for reimbursement. It is designed to enable subrecipients, the Town of Arlington, and federal auditors to identify and track expenditure of CDBG funds. The CDBG Budget must be completed by the subrecipient prior to executing a standard contract with the City. Any revisions to the CDBG budget must be authorized by the Town of Arlington before a subrecipient incurs expenses for reimbursement.

Audits

Subrecipients must be prepared to explain how transactions were made, why, and be able to account for any funds expended during an audit with Town officials or HUD auditors. During an audit, the auditor will examine records to ascertain if:

- Funds are properly budgeted and approved.
- Budget revisions have been documented and approved.
- Personnel charges are properly allocated to the block grant and based on payroll documents such as time and attendance records.
- All expenditures can be traced to source documents (i.e., purchase orders, invoices, canceled checks).
- Reimbursement requests have been timely.
- Only allowable activities have been claimed as costs toward the project.
- The subrecipient's accounting system reflects all assets, liabilities, etc.
- Property has been managed and inventoried properly.
- In kind costs and costs billed to other funds are clearly documented.
- If there are billings for indirect costs, an indirect cost allocation plan has been approved.
- Subrecipients managing more than one CDBG project shall maintain separate files for each project.

In addition, the auditor will ascertain if the subrecipient's program has been accomplished in the manner set out in the application and/or the contract with the Town of Arlington.

Reimbursement Requests

Arlington's CDBG program provides reimbursement-based grants, meaning subrecipients must first incur expenses and then request reimbursement. Incurred costs must be included in the approved CDBG Budget and must be allowable under [2 CFR 200 subpart E](#). Please keep the following in mind:

- Reimbursement Requests should be submitted on a quarterly basis, at a minimum. (Some exceptions may apply, such as seasonal programming and construction, which should be discussed with the CDBG Administrator).
- All requests must include a cover letter, invoices, receipts, canceled checks, and any other documentation justifying the claimed reimbursement costs.
- Only expenses described and approved in the subrecipient's application and subrecipient agreement will be reimbursed. The Town of Arlington reserves the right to deny a request, or request additional documentation to verify eligibility of an expense.
- If no funds are spent within 6 months of the Subrecipient Agreement execution date, the CDBG Administrator will request a meeting to devise a plan to ensure timely expenditure.
- All financial transactions with CDBG monies are subject to federal audit. Subrecipients must be prepared to explain the purpose of transactions and how they were made.
- The final reimbursement request should be made no later than MAY 12, 2023.
- Expenses that are generally ineligible include: Buildings for the general conduct of government; General government expenses except to carry out the CDBG program; Political or religious activities; Construction equipment; Fire protection equipment unless

part of a public facility; Personal furnishing or property; Food not related to direct service delivery to clients; Furnishings that are not integral structural fixtures; New housing construction except for land acquisition and other specific circumstances; Payroll unless agreed upon and noted in Subrecipient Agreement; Income payments and other subsistence payments made to individuals or a family.

All reimbursement requests have three parts:

1. A cover letter
 - Addressed to the Town of Arlington
 - Lists the total amount of the request
 - Provides explanation as needed to show how line items conform to the scope of services in your subrecipient agreement. *Requests should not be considered self-explanatory; while Town staff is familiar with your project, it should also be evident to a federal auditor unfamiliar with the project how the request aligns with your goals (as stated in your application).*
2. An invoice (see template on following page) that includes
 - An invoice number
 - A date
 - Addressed to the Town of Arlington
 - Itemized requests
3. Backup documentation
 - Receipts or other proof of payment

Reimbursements may take up to three weeks to process.

The Town recommends use of the following invoice template for requests for subrecipients that do not have a standard invoice template. Please note that an email message is not considered an invoice.

Town of Arlington CDBG Program Request for Reimbursement

To	Town of Arlington 730 Massachusetts Ave Arlington, MA 02476	INVOICE #
		DATE

From	

Project	
----------------	--

Line Item	Amount
TOTAL	\$0.00

Approved by:		
	Name	Signature

Instructions: Complete this form and attach copies of each invoice and cancelled checks (or equivalent, i.e. wire transfer records or receipts) as evidence of payment. The form should be signed by an official from the Subrecipient organization.

[Click here to access a fillable and printable Subrecipient Invoice Template](#)

Procurement

Any subrecipient wishing to use CDBG funds to enter into a contract with an outside service provider must first notify the Town of Arlington. The procurement of goods and services by government entities and CDBG subrecipients must follow the standards and procedures outlined in the following: [2 CFR 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#). These standards are to ensure that purchases of materials and services are obtained efficiently, economically, and in compliance with the provisions of applicable federal law. Procurement standards ensure the following:

1. Procurement transactions are conducted in a manner that provides maximum free and open competition.
2. National goals are attained throughout the procurement process.
3. Small, minority-owned businesses, women's business enterprises, Section 3 qualified and project area firms have an opportunity to bid on CDBG-assisted projects.
4. Unnecessary or duplicate purchases are not made.

In addition, all local procurement procedures must be followed. The Town of Arlington complies with Commonwealth of Massachusetts procurement practices, which can be viewed in the charts on this [Procurement Procedures](#) document.

Public Facilities and Housing Projects Involving Construction

CDBG-funded construction projects are subject to additional requirements. Subrecipients will work closely with Town staff to ensure these requirements are met.

Environmental Reviews

As with all CDBG projects, federal rules prohibit the commitment or expenditure of federal funds until an Environmental Review (ER), in compliance with Title 24 CFR Part 58, is completed. Based on the findings of the ER, the CDBG funded project may be modified, cancelled or proceed without changes. Please note that construction projects are more likely to require a more extensive environmental review process, which should be considered when planning the project timeline. For more information, please see the [Environmental Review](#) section of this manual.

Procurement

Sealed Bids Method

This method must be used for all construction contracts. The Sealed Bids Method requires publicly-solicited bids that results in a flat lump-sum price or unit-price contract that is awarded to the responsible bidder whose bid, conforming to all the material terms and conditions of the invitation for bids, is lowest in price.

Bid Packages

The following items must be included in your bid package.

- [Davis-Bacon Wage Determinations](#). Once you're on this site you can go to Massachusetts, Middlesex County, and then choose Highway. Print out and include the most recent wage determinations in your bid package. Print this out as close to sending out the bid as possible, even the morning of. Also, if the contract is not awarded within 90 days after the bid opening, modifications to the wage determination(s) must be incorporated into the contract, unless DOL approves an extension of the 90-day period. The grantee/PJ must request any such extension through HUD.
- [Project Wage Rate Sheet](#). Once a wage determination has been made, fill out a Project Wage Rate Sheet, [HUD form 4720](#) to make public the wages being paid on this project.
- [HUD Form 4010](#) Federal Labor Standards Provisions.
- [Section 3 Clause](#). Include the Section 3 Clause in your bid package.

Section 3

Section 3 is a provision of the Housing and Urban Development Act of 1968. The purpose of Section 3 is to ensure 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 business concerns which provide economic opportunities to low- and very low-income persons.

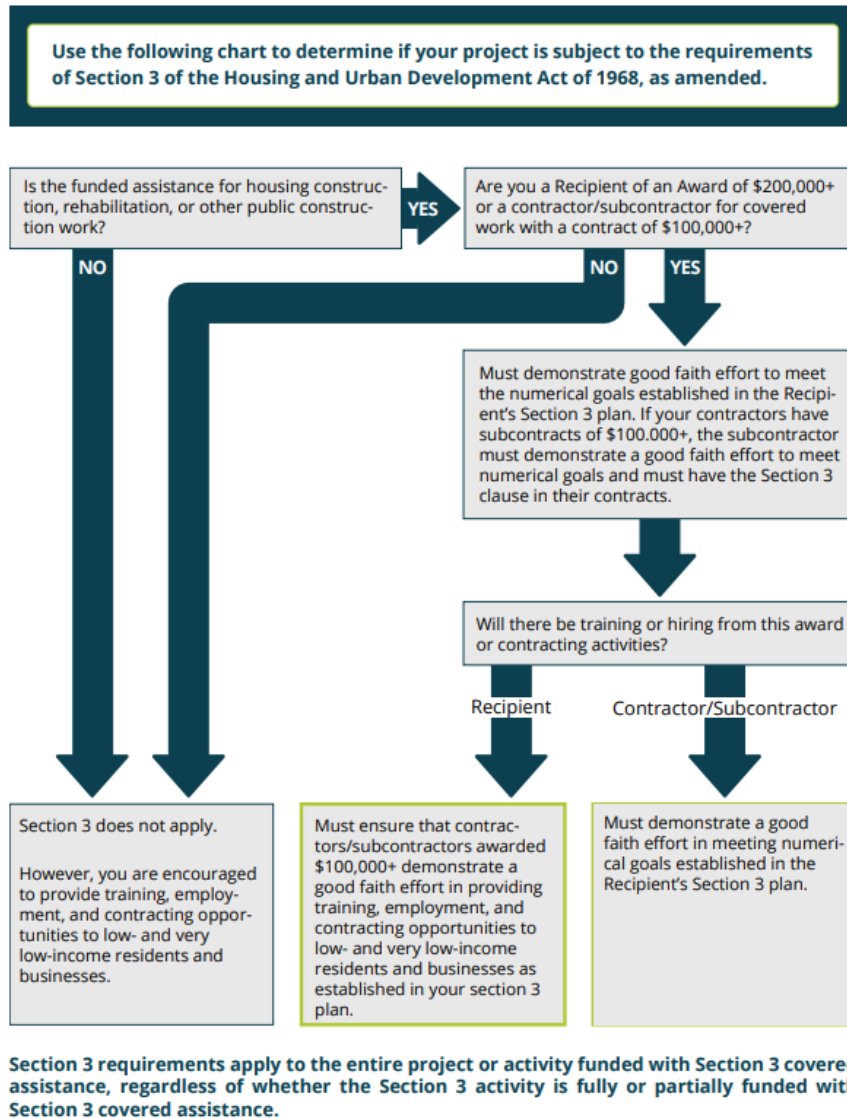
SUBRECIPIENTS ARE RESPONSIBLE FOR DOCUMENTING SECTION 3 EFFORTS.

Section 3 projects are housing rehabilitation, housing construction, and other public construction projects assisted under HUD programs that provide housing and community development financial assistance when the total amount of assistance to the project exceeds \$200,000. The [Section 3 Language for Procurement](#) must be included in bid packages.

Recipients are required to maintain documentation to demonstrate compliance with the regulations and are responsible for requiring their contractors/subcontractors to maintain or provide any documentation that will assist recipients in demonstrating compliance, including documentation that shows hours worked by Section 3 workers, Targeted Section 3 workers, and any qualitative efforts to comply with Section 3. Examples of documentation can be found in 24 CFR §75.31.

Refer to the chart on the following page to determine whether your project must comply with Section 3.

Exhibit 3-1: Section 3 Flow Chart



Subrecipients with Section 3-compliant projects should review their responsibilities in the [Section 3 HUD Compliance Review Checklist for Subrecipients](#).

Subrecipients should ensure that the Contractor(s) have a copy of the following:

[Section 3 HUD Compliance Review Checklist for Contractors](#)

[Arlington Section 3 Worker Self Certification Form](#)

[Arlington Section 3 Business Concern Certification for Contractors](#)

[Arlington Section 3 Labor Hour Monthly Report](#)

[Arlington Section 3 Labor Hour Project Completion Report](#)

More information is available from HUD in [Notice: CPD-21-09](#).

Davis Bacon Act Labor Standards

All laborers and mechanics employed by contractors or subcontractors on construction work in excess of \$2,000 and financed in whole or in part with CDBG funds must be paid “prevailing wages” that have been determined in accordance with the Davis-Bacon Act as amended (40 U.S.C. 276a–276a-5). The Contract Work Hours and Safety Standards Act (40 U.S.C. 327–333) also applies to such activities. These labor standards shall apply only to the rehabilitation of residential property if the property contains not less than eight (8) units.

Davis-Bacon Act

The Davis-Bacon Act requires the payment of prevailing wage rates (which are determined by the U.S. Department of Labor) to all laborers and mechanics on Federal government and District of Columbia construction projects in excess of \$2,000. Construction includes alteration and/or repair, including painting and decorating, of public buildings or public works. Subrecipients may wish to review the [Davis-Bacon and Labor Standards: Agency/Contractor Guide](#), and should share it with contractors.

As part of any Davis-Bacon-compliant procurement process, wage determinations, a project wage rate sheet, HUD Form 4010 federal labor standards provisions, and the Section 3 clause must be included in the bid package (the CDBG Administrator will provide these to the Subrecipient). The subrecipient must also comply with responsibilities during construction, including facilitating the CDBG Administrator in carrying out contractor and subcontractor employee interviews and reviewing documentation.

Once a contractor has been selected and the project is underway, there are several steps that must be taken to ensure compliance.

- Contractor
 - Post applicable Davis Bacon Wage Determinations in a place accessible to workers
 - Post Federal Davis-Bacon Act Employee Rights Poster on site
 - Complete and submit Certified Payroll forms on a weekly basis
 - Participate in periodic wage rate interviews
- Subrecipient
 - Ensure contractor’s participation in periodic wage rate interviews between workers and CDBG Administrator
 - Facilitate communications and coordinate site visits between contractor and CDBG Administrator

Pre-Construction Conference

Once the contract is executed and the aforementioned documentation is submitted and satisfactory to Town of Arlington and HUD requirements, DPCD staff will schedule a mandatory Pre-Construction Conference. A representative from the Subrecipient Organization, and a

representative from the selected contractor and any subcontractors, including bookkeeping/payroll staff, shall attend this meeting. DPCD staff will review the Federal Labor Standards requirements, including but not limited to the Davis Bacon Act and provide Davis Bacon Act forms. Construction may not begin until Town staff has provided approval.

Single Audit

A 2 CFR Part 200 audit is required if your organization expends more than \$750,000 in federal funds during your fiscal year. CDBG grantees and subrecipients that expend \$750,000 or more in a year in federal awards must have an audit conducted in accordance with 2 CFR Part 200, Subpart F—Audit Requirements except when they elect to have a program-specific audit conducted. A program audit is an audit of one federal program (such as CDBG). A program-specific audit is allowed when the grantee or subrecipient expends federal awards under only one federal program. A single audit is an audit that includes both an entity's financial statements and its federal awards (from all applicable federal programs). If a grantee or subrecipient expends less than \$750,000 a year in federal awards, it is exempt from the audit requirements for that year; however, records must be available for review or audit by appropriate officials of the federal agency, pass-through entity and the Government Accountability Office.

Your agency's oversight should be in the form of monitoring to ensure compliance with CDBG regulations and any requirements imposed by your agency. Advise subrecipients of requirements imposed on them by federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the grantee. Monitor the activities of subrecipients as necessary to ensure that CDBG funds are used for authorized purposes in compliance with laws, regulations, and the provisions of the subrecipient agreement and those performance goals are achieved. Ensure that a subrecipient or non-federal agency expending \$750,000 or more in federal awards during their fiscal year has met the audit requirements of 2 CFR 200 for that fiscal year in accordance with the provisions of Subpart F—Audit Requirements.

Reporting

On a quarterly basis, all subrecipients with public service and economic development activities are required to submit a report of their accomplishments for the quarter. Subrecipients conducting construction or capital improvements projects are required to submit accomplishment reporting

at the conclusion of the project (for example, once a building has been completed) or on an annual basis (if the project spans more than one program year).

[Click here for the online Quarterly Reporting Form for Public Services and Public Facilities](#)

[Click here for the Reporting Form for Housing Activities](#)

When completing the form, please be aware of the following items:

1. Do not duplicate numbers for each program. *I.e. if a student participates in your program in Q1 and Q2, count them as one person, not two.*
2. It is helpful to count out your accomplishments quarterly and then cumulatively.

Quarterly Reporting Periods:

Quarter 1: July 1 – September 30 (report due: October 10)

Quarter 2: Oct 1 – Dec 31 (report due 1/10)

Quarter 3: Jan 1- March 31 (report due 4/10)

Quarter 4: April 1 – June 30 (report due 7/10)

Reporting Housing Capital Improvement Activities

In addition to the information above, the following information must be submitted for each address:

- Number of units proposed and completed.
- Number of units in each multi-unit structure initially occupied by low- and moderate-income households and following capital improvements.
- For multi-unit properties, the amount proposed and expended from CDBG, other public, and private sources.

Monitoring

HUD requires Grantees to conduct ongoing monitoring of subrecipient performance as necessary to ensure that the grant award is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward, and that subaward

performance goals are achieved. The goal of monitoring is to support subrecipients in maintaining compliance with HUD and the requirements of CDBG.

Monitoring of the subrecipient will include:

- Reviewing financial and programmatic reports required by the Town.
- Meeting with subrecipient representatives to determine appropriate action.
- Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the passthrough entity detected through audits, on-site reviews, and other means.
- Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.

Depending upon the Town's assessment of risk posed by the subrecipient, the following monitoring tools may be used by the Town to ensure proper accountability and compliance with program requirements and achievement of performance goals:

- Providing subrecipients with training and technical assistance on program-related matters.
- Performing on-site reviews of the subrecipient's program operations.

Please note that all new subrecipients, subrecipients with new projects, and subrecipients with new key leadership positions filled will automatically undergo a formal monitoring session at the mid-year point. Ample notice will be provided to all subrecipients being monitored.