

CDBG-DR

Timely Expenditures Procedure

Lee County, Florida

Version History

Version	Date	Summary Description
1		Creation of Timely Expenditures Procedure

TABLE OF CONTENTS

Version History	1
Overview	3
Projection of CDBG-DR Expenditures	3
Procedures to Track Progress and Program Expenditures	4
Reporting to HUD	4
Program Income	5
Definition of CDBG-DR Program Income	5
Monitoring	7
Technical Assistance	7
Reallocation	7
Responsible Agency	8

Overview

In accordance with Federal Register 88-FR-32046, Lee County must track and document the timely expenditure of Community Development Block Grant – Disaster Recovery (CDBG-DR) funds to support long-term recovery efforts following Hurricane Ian. To ensure expenditure of all CDBG-DR funds within the required six-year period, Lee County must submit projections regarding the obligation and expenditure of all CDBG-DR funds over the life of the award as well as the anticipated outcomes associated with program activities.

These projections enable Lee County and the Department of Housing and Urban Development (HUD) to evaluate progress on program activities and ensure recovery efforts are achieved in a timely manner. To achieve these goals, the County has established the following procedures to implement strict guidelines for all County administered projects and any grant agreements with sub-recipients. In addition, the County will provide technical assistance and support to all sub-recipients as needed so that quarterly goals are met, and funds are expended within all deadlines.

The Office of Strategic Resources and Government Affairs is responsible for the coordination of CDBG-DR Program Managers, contractors and subrecipients as well as the procedures to determine timely expenditure of funds:

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Lee County has existing financial management procedures that include processes for financial reporting, recordkeeping, accounting systems, payment procedures, and audit requirements. Federal and state grant awards received by the County, and administered through Lee County, are tracked and managed through E1, the County's primary accounting system. All budgets and financial transactions are tracked and processed using this system, within which accounting protocols have been set up to ensure segregation of duties. Lee County currently processes transactions for existing federal programs within E1 and submits reimbursement requests. Financial transactions will continue to be managed utilizing E1 for CDBG-DR to ensure timely reimbursement.

Projection of CDBG-DR Expenditures

As part of the initial Action Plan, Lee County will outline CDBG-DR programs and projects, methods of distribution, and anticipated projections for the timely expenditure of funding to meet the six-year deadline established in the Notice. These projections will be based on each quarter's expected performance beginning when the quarterly funds are available to the County and continuing each quarter until all funds are expended. The published action plan will be amended to accommodate any subsequent changes, updates, or revisions to project and activity budgets, as needed to ensure timely expenditure. The County will submit its projections to HUD with the initial Action Plan via the Disaster Recovery Grant Reporting (DRGR) system. The projections will be posted on the County's Recovery Website to enable HUD and the public to track 'proposed versus actual' performance of each program. In order to develop these projections, the County will use the 'CDBG-DR Grantee Projections of Expenditures and Outcomes - [Template](#) provided by HUD.

Procedures to Track Progress and Program Expenditures

Lee County assigns Implementation Contractors, Project Leads, and subrecipients to track and submit required reporting to the Lee County Office of Strategic Resources and Government Affairs to demonstrate grant performance and ensure timely expenditure of funds within the grant performance period. This will be accomplished through a combination of status meetings to compare projected budgets to actuals, track milestones and tasks, review key data points, and analyze reporting from the financial management system.

Assigned Implementation Contractors, Project Leads, and subrecipients will inform the Lee County Office of Strategic Resources and Government Affairs Program Manager if there are barriers to compliance and to timely preparation of status reports, tasks, and deliverables.

When applicable, the Program Manager will document:

- How program income will be accounted for and managed;
- The process to identify and address stalled activities; and
- Performance of contractors and subrecipients (both projected and actual performance and expenditures).

To provide an appropriate level of management review, the Lee County Office of Management & Budget will produce a monthly budget report for CDBG-DR funds. The reports will be distributed to Lee County leadership.

Reporting to HUD

HUD requires that grantees enter information in the Disaster Recovery Grant Reporting System (DRGR) in sufficient detail to permit the Department's review of grantee performance on a quarterly basis through the Quarterly Performance Report (QPR).

The County will use data entered into the DRGR action plan, the QPR, transactional data from the DRGR system, and other information provided by subrecipients to provide reports to HUD and the public and to:

- 1) monitor for anomalies or performance problems that suggest fraud, abuse of funds, and duplication of benefits;
- 2) reconcile budgets, obligations, funding draws, and expenditures;
- 3) calculate expenditures to determine compliance with applicable funding caps and the overall percentage of funds that benefit low- and moderate-income persons; and
- 4) analyze the risk of subrecipient projects to determine monitoring priorities and opportunities to provide technical assistance.

The County will submit a QPR through the DRGR system no later than 30 days following the end of each calendar quarter. Within 3 days of submission to HUD, each QPR will be posted on the

County's official Recovery website. To meet quarterly goals, the County will establish monthly performance metrics for County and subrecipient administered projects.

Program Income

Lee County expects that certain CDBG-DR-funded projects will generate income. Any program income earned as a result of CDBG-DR-funded projects will be subject to the rules outlined in Federal Register notice FR 6393-N-01. In the Notice, HUD provides grantees the option of transferring program income to their annual CDBG-DR entitlement grant (if applicable) or use it as CDBG-DR funds until grant closeout. The County will apply program income received from the CDBG-DR projects in accordance with the applicable action plan with the final determination of end use made by the County's Office of Strategic Resources and Government Affairs. To the maximum extent feasible, HUD requires that program income shall be used or distributed before additional withdrawals from the U.S. Treasury are made.

In accordance with 24 CFR 570.503, each written agreement between Lee County and its subrecipients will specify that the subrecipient will be required to report and remit to Lee County all program income as defined at 24 CFR 570.500. All program income generated by activities carried out with CDBG-DR funds will be remitted to Lee County from the subrecipient prior to contract close-out. Lee County will allocate and utilize the program income in compliance with the requirements set forth at 24 CFR 570.504, and the applicable federal register notice.

Definition of CDBG-DR Program Income

Program income is defined by HUD to include any "gross income received by a State, a unit of general local government, or a subrecipient of the unit of general local government that was generated from the use of Community Development Block Grant (CDBG) funds, regardless of when the CDBG funds were appropriated and whether the activity has been closed out..." 24 CFR 570.489(e) and Federal Register Notice 88 FR 32046 for CDBG-DR funds.

Program income is defined as gross income (greater than \$35,000 annually in the aggregate) generated from the use of CDBG-DR funds and received by a Recipient or a subrecipient, except as provided in FR 6393-N-01 pertaining to the net income from the use of rental property owned by a State, local government, or subrecipient thereof that was constructed or improved with CDBG-DR funds and received by a State or a subrecipient of a State.

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

Typical sources of program income include:

- Proceeds from the disposition by sale or long-term lease of real property purchased or improved with grant funds;

- Proceeds from the disposition of equipment purchased with grant funds;
- Gross income from the use or rental of real or personal property acquired by the unit of general local government with grant funds, less costs incidental to the generation of the income;
- Gross income from the use or rental of real property owned by the unit of general local government that was constructed or improved with grant funds, less the costs incidental to the generation of the income;
- Payments of principal and interest on loans made using grant funds;
- Proceeds from sale of loans or obligations secured by loans made with grant funds;
- Interest earned on funds held in a revolving fund account or earned on program income pending disposition of the income; and
- Funds collected through special assessments made against properties owned and occupied by households not of low and moderate income, where special assessments are used to recover all or part of the grant portion of a public improvement.
- Gross income paid to a state, local government, or subrecipient thereof, from the ownership interest in a for-profit entity in which the income is in return for the provision of CDBG-DR assistance.

Program income does not include the following:

- Any income received in a single program year by Lee County and its subrecipients that does not exceed thirty-five thousand dollars (\$35,000), other than revolving funds that are retained by Lee County and its subrecipients (all funds from revolving funds are considered program income). It is the policy of Lee County to report 100% of Program Income generated by the CDBG-DR project in the DRGR system;
- Amounts generated by activities eligible under section 105(a)(15) of the HCD Act and carried out by an entity under the authority of section 105(a)(15) of the HCD Act (as per 24 C.F.R. § 570.489(e)(2)(ii));
- Payments of principal and interest made by a subrecipient carrying out a CDBG-DR activity for Lee County, toward a loan from Lee County to the subrecipient, to the extent that program income received by the subrecipient is used for such payments;
- Income earned from the investment of initial proceeds of a grant advance from the U.S. Treasury; interest earned on loans or other forms of assistance with CDBG-DR funds that are used for activities that are determined by HUD to be ineligible or to fail to meet a national objective; interest earned on the investment of amounts reimbursed to the CDBG-DR program account prior to the use of the reimbursed funds for eligible activities;
- Funds collected through special assessments to recover non-CDBG-DR outlays of capital improvements;
- The following classes of interest will be remitted to HUD for transmittal to the U.S. Treasury and will not be returned to Lee County's CDBG-DR line of credit:
 - Interest income from loans or other forms of assistance provided with CDBG-DR funds that are used for activities determined by HUD to be not eligible under 24

C.F.R. § 570.482 or section 105(a) of the HCD Act, to fail to meet a national objective in accordance with the requirements of 24 C.F.R. § 570.483, or fail to substantially to meet any other requirement of Subpart I of the HCD Act;

- Interest income from deposits of amounts reimbursed to Lee County's CDBG-DR program account prior to Lee County's disbursement of the reimbursed funds for eligible purposes; and
- Interest income received by a municipality on deposits of grant funds before disbursement of the funds for activities, except that the municipality may keep interest payments of up to \$100 per year for administrative expenses otherwise permitted to be paid with CDBG-DR funds.
- Proceeds from the sale of real property purchased or improved with CDBG-DR funds, if the proceeds are received more than five (5) years after the expiration of the subrecipient agreement between Lee County and the municipality (certain conditions apply - refer to 24 C.F.R. § 570.503(b)(7)).

Monitoring

Lee County will monitor performance reports and provide technical assistance to County assigned Program Managers and sub-recipients as necessary to ensure the timely obligation and expenditure of CDBG-DR funds. In addition, each project will be monitored at least once annually for compliance with federal regulations and performance. Risk assessments, desktop and on-site monitoring visits will be conducted in accordance with the County's CDBG-DR monitoring process as specified in the CDBG-DR Manual. County or subrecipient administered projects or activities that are not meeting monthly or quarterly performance metrics are subject to potential reprogramming to other CDBG-DR projects or activities.

Technical Assistance

An initial risk analysis will be conducted on each County and subrecipient project or activity in order to determine the level of monitoring necessary. High risk projects and subrecipients will be monitored on site in the same fiscal year in which the risk analysis was conducted so that technical assistance can be provided to ensure all federal requirements are met. On-going technical assistance regarding project reporting and metrics will be provided upon signing an agreement and as necessary thereafter.

Reallocation

Both Lee County and subrecipient administered projects or activities are subject to reallocation to other projects or subrecipients if participation and/or expenditure rates do not meet quarterly projections. The County may prepare and submit Action Plan Amendments to re-program funds for projects that are not anticipated to meet quarterly performance metrics or anticipated outcomes as necessary for review and approval per the process outlined in the Citizen Participation Plan.

Responsible Agency

The Office of Strategic Resources and Government Affairs is tasked with the responsibility of oversight, tracking, and reporting of CDBG-DR obligation and expenditure rates on a monthly and quarterly basis. This office will also be responsible for using the DRGR system to track program income receipts, disbursements, revolving loan funds, and leveraged funds (if applicable), and upload of the QPR and other performance reports to the County's official Recovery Website.

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