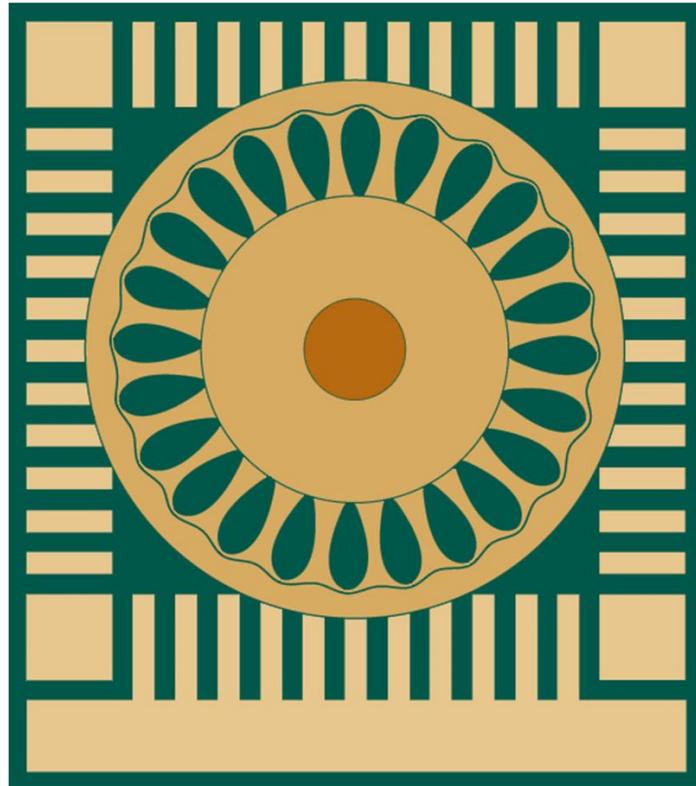


CITY OF
HAYWARD
HEART OF THE BAY



COMMUNITY DEVELOPMENT BLOCK GRANT

COMPLIANCE POLICIES

(Adopted September 16, 2014)

(Updated November 18, 2014)

Department of Library & Community Services

This page intentionally left blank.

CONTENTS

NATIONAL PROGRAM GUIDELINES.....	1
Key Definitions.....	2
1. Low & Moderate Income (LMI) Benefit.....	11
2. Slum & Blight Removal.....	11
3. Urgent Need	12
Categorical Limits	13
Program Income.....	14
Program Income Defined.....	14
Cost Principles.....	16
Cost Allocation.....	17
Indirect Costs - State and Local Governments	18
Indirect Costs - Nonprofits	19
Standards for Financial Management Systems.....	20
Accounting Records.....	21
Environmental Review Procedures.....	23
Faith-Based Activities.....	25
Report Submission Requirements	26
Location of Activities.....	27
Conflict of Interest	28
Operating Problems and Non-Compliance.....	30
Notification of Illegal Acts or Irregularities	31
LOCAL PROGRAM GUIDELINES	32
Program Oversight	34
Annual Allocation of CDBG Funding.....	35
Subrecipient Allocation Process.....	36
Agreement/Memorandum of Understanding	37
Statement/Scope of Work.....	37
Report Submissions	37
Examination of Records/Monitoring.....	39

Procurement	39
Local Categorical Limits	40
Program Administration.....	41
Economic Development	42
Program Income.....	43
Drawdown Procedures	44
Audit Requirements	47
Financial Management Systems.....	49
Payment Requests.....	50
Consolidated Plan Submission.....	51
Analysis of Impediments to Fair Housing Choice	52
Change of Use.....	53
Displacement/Relocation	54
Disputes.....	55
Suspension/Probation and Termination.....	56
CDBG Collection Procedures	59
City of Hayward Operated Programs.....	59

APPENDIX

Appendix A: HUD Suggested Areas of Study and Evaluation of Internal Accounting Controls.....	60
--	----

NATIONAL PROGRAM GUIDELINES

Key Definitions

This section provides definitions of key CDBG topics and terms.

The Act: The [Housing and Community Development Act of 1974](#) makes funds available to qualified cities to develop of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities.

Action Plan: An annual plan that outlines proposed housing and community development objectives, activities, and budget in the City of Hayward. The plan includes information regarding federal, state, and local funding resources, a description of each activity to be implemented, and other actions that the City will take to address barriers to affordable housing, support anti-poverty strategies, and facilitate fair housing.

Adjusted Award: Amount of CDBG funds available to subrecipients after City Programs, administration, fair housing, and audit allocations are deducted

Administrative Cap: A maximum of 20 percent of the sum of the entitlement grant plus program income that is received during the program year may be spent on planning and administration costs.

Alameda County HOME Consortium: A consortium of all Cities in Alameda County, except for the Cities of Oakland and Berkeley, that directly receives HOME Investment Partnership Program (HOME) funds from HUD to expand the supply of decent, safe, sanitary, and affordable housing for very-low and low-income households.

Application Review Committee (ARC): A subcommittee of the Community Services Commission formed to interview applicants and make preliminary funding recommendations.

Capacity Building: Activities that build the capacity of the CDBG program, Sub-recipients, and program delivery to low income Hayward residents. Capacity building activities are subject to the 20 percent administrative cap.

CDBG: The Community Development Block Grant (CDBG) program is a flexible program that provides communities with resources to address a wide range of unique community development needs. Beginning in 1974, the CDBG program is one of the longest continuously run programs at HUD. The CDBG program provides annual grants on a formula basis to 1209 general units of local government and States.

CDBG Recipient: Local governments are known as grantees or recipients, and also referred to as units of general local government (UGLGs). Under the Entitlement CDBG Program, the City of Hayward receives funding directly from HUD.

CFR: The *Code of Federal Regulations* (CFR) is the codification of the general and permanent rules and regulations (sometimes called administrative law) 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.

Citizen: Unless otherwise distinguished by HUD or applicable statute, citizen and resident are used interchangeably.

Citizen Participation Plan: A plan prepared by the City of Hayward in accordance with [24 CFR 570.486](#) which describes how the City will include and encourage citizen participation, especially by low and moderate income citizens.

City Program: An eligible activity or service provided by City of Hayward staff through a non-competitive application process.

Conflict of Interest: When an individual or organization is involved in multiple interests, one of which could corrupt or be perceived corrupt fair and objective allocation of funds or procurement of goods and services.

Consolidated Annual Performance and Evaluation Report (CAPER): An annual report prepared by the City of Hayward in accordance with [24 CFR Part 91](#), on the objectives, activities, and budget set forth in the Annual Action Plan and the progress on the three-to five-year Consolidated Plan.

Consolidated Plan: The Consolidated Plan is a three-to five-year strategic plan prepared by the City in accordance with [24 CFR Part 91](#), and describes needs, resources, priorities and proposed activities to be undertaken with respect to HUD's Office of Community Planning and Development CPD formula programs, including CDBG. An approved Consolidated Plan is one which has been approved by HUD.

Contractors: A contractor is an entity paid with CDBG funds in return for a specific service (e.g., construction). Contractors must be selected through a competitive procurement process.

Community Services Commission (CSC): An advisory body to City Council which encourages a planned and orderly approach to the development of community services in the City of Hayward. The CSC reviews, evaluates, and makes recommendations to the City Council on proposals submitted by agencies seeking City-administered funding, including but

not limited to Community Development Block Grant (CDBG) and Social Services Program Funding.

Corrective Action Plan: A plan prepared by a subrecipient or city partner to correct issues of non-compliance within a specific schedule.

Cost Allocation: The identification, aggregation, and assignment of centralized costs.

Cost Allocation Plan: A description of a process whereby services provided on a centralized basis (e.g., motor pools, computer centers, purchasing and accounting services) can be identified and assigned to benefited departments/agencies (e.g., the department/agency administering the CDBG program) on a reasonable and consistent basis.

CPD: The Office of Community Planning and Development (CPD) is an office within HUD. CPD administers and provides federal oversight of the CDBG program, along with other federal programs that provide decent housing, a suitable living environment, and expand economic opportunities for low and moderate income persons.

Davis-Bacon Act: Establishes the requirement for paying the local prevailing wages and fringe benefits, as determined by the U.S. Department of Labor, laborers and mechanics. It applies to contractors and subcontractors performing on federally funded or assisted contracts in excess of \$2,000.

Draw Down: Refers to the process of requesting and receiving CDBG funds. Grantees draw down funds from a line of credit established by HUD, while subrecipients typically draw down funds from grantees.

Economic Development: Activities to improve the economic health and standard of living in Hayward. Depending on the nature of the activity, eligible economic development activities may be subject to the Public Services or Administrative caps.

Entitlement Community: A city in a metropolitan area with a population of 50,000 or more, a principal city of a metropolitan area, or an urban county with a population of at least 200,000 (excluding the population of metropolitan cities located therein) that receives an annual allocation of CDBG funds directly from HUD under the CDBG Entitlement Program. An Entitlement Community is sometimes referred to by HUD as a grantee or recipient.

Entitlement Grant: Federal funds received by an entitlement community in a program year.

Fiscal Sponsor: A non-profit organization that applies for CDBG funding on behalf of an organization or group, also known as a Fiscal Agent. The fiscal sponsor accepts responsibility

to serve as a fiscal conduit for a City of Hayward-funded project, receiving and disbursing funds related to the grant, and administering the requirements throughout the City of Hayward grant process. The sponsored organization or group completes the project activity.

Funding Cycle: The time period associated with the City of Hayward's allocation of projected CDBG funds for the upcoming program year(s). The funding cycle is most commonly an annual cycle that begins in August and ends in April.

Household: All the persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any groups of related or unrelated persons who share living arrangements.

Housing Rehabilitation: Activities that assist homeowners with the repair, rehabilitation, or reconstruction of owner-occupied units.

HUD: CDBG funds are provided to states through the U.S. Department of Housing and Urban Development (HUD). HUD established the regulations and requirements for the program and has oversight responsibilities for the use of CDBG funds.

HUD Guidelines: All [tools](#), [guidebooks](#), [trainings](#), [notices](#), and other guiding materials and correspondence provided by HUD or CPD regarding the laws and regulations of CDBG Program.

Integrated Disbursement and Information System (IDIS): A nationwide database that provides HUD with current information regarding program activities and funding data. The City of Hayward uses IDIS to fund and report on its CDBG Program.

Income: Adjusted gross income as defined by the IRS Form 1040.

Indirect Costs: Costs that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective.

Indirect Cost Rate: A device for determining in a reasonable manner the proportion of indirect costs each program should bear. It is the ratio (expressed as a percentage) of the indirect costs to a direct cost base.

Indirect Cost Rate Proposal: The documentation prepared by a governmental unit or subdivision thereof to substantiate its request for the establishment of an indirect cost rate.

Job Creation/Retention: A mandatory public benefit standard that requires at least one full-time, permanent job per \$35,000 of CDBG funds used be created or retained.

Low – and Moderate Income: Low- and moderate income (also referred to in this manual as LMI) means family or household annual income less than the Section 8 Low Income Limit, generally 80 percent of the area median income, or a person within such household, as established by HUD.

Low-Income Household/Family: A household/family having an income equal to or less than the Section 8 Very Low Income limit (50% of the area median income) as established by HUD.

Microenterprise: A business that has five or fewer employees, one or more of whom own the enterprise.

Minimum Contracting Standards: A set of standards required before the execution of a Subrecipient Agreement. The standards indicate the minimum administrative and financial framework required to manage public funds.

Minority Business Enterprise (MBE): A business concern that is at least 51% owned by one or more individuals who are African American, Hispanic American, Native American, Asian-Pacific American or Asian-Indian American; and whose management and daily business operations are controlled by one or more of these owners.

Moderate-Income Household/Family: A household/family having an income equal to or less than the Section 8 Low Income limit (80% of area median income) established by HUD, but greater than the Section 8 Very Low Income limit (50% of area median income) established by HUD.

Monitoring Visits: Visits to subrecipient and city partner programs by Department of Library and Community Services staff to evaluate the progress/performance of the program and/or to provide technical assistance.

Neighborhood Services: Services that benefit an entire neighborhood and correspond with the neighborhood's or census tract's geographic boundaries.

OMB: The Office of Management and Budget (OMB) is the largest office within the Executive Office of the President of the United States (EOP). The main function of the OMB is to assist the President in preparing the budget. The OMB issues budget instructions or information, known as circulars, to Federal agencies.

PR Reports: Standard CDBG program reports generated in IDIS that provide financial and performance information. 66 different PR reports are available in a noncontiguous range from PR01 to PR95. PR05 and PR07 provide draw down details.

Presumed Benefit: Benefit a group of clientele that is presumed to be principally Low – and moderate income. Presumed benefit groups include abused children, battered spouses, severely disabled adults, homeless persons, illiterate adults, persons with AIDs, migrant farm workers, and elderly persons over 62-years-of-age.

Program Income: Program income is the gross income received by the City and its subrecipients directly generated from the use of CDBG funds.

Program Year: City of Hayward's Program Year begins July 1 and concludes June 30 of the following year.

Public Service Activity: Eligible public service activities including but not limited to those concerned with employment, crime prevention, child care, health, homelessness, drug abuse, education, fair housing counseling, energy conservation, and welfare. To be eligible for CDBG assistance, a public service must be either a new service or a quantifiable increase.

Public Services Cap: A maximum of 15 percent of the sum of the entitlement grant plus program income that is received during the program year may be spent on public service activities.

Resident: Unless otherwise distinguished by HUD or applicable statute, resident and citizen are used interchangeably.

Revolving Fund (RLF): A separate fund established to carryout eligible housing and/or economic development activities which generate program income. The fund reuses program income in making the same types of activities.

Section 3: Section 3 of the Housing and Urban Development (HUD) Act of 1968 established the Section 3 Program, which requires recipients of HUD financial assistance, to the greatest extent possible, provide job training, employment, and contract opportunities for low- or very-low income residents in connection with projects and activities in their neighborhoods.

Small Business: The U.S. Small Business Administration is responsible for defining small businesses. Small Businesses are commonly identified by 500 employees or less for manufacturing and mining industries and \$7.5 million or less in average annual receipts for non-mining industries. However, there are a number of exceptions.

Statement/Scope of Work: An exhibit of the subrecipient agreement which must include the a project description, the national objective claimed, activity descriptions, intended beneficiaries (number and type), detailed budget and location(s) of program-related activity.

Subrecipient: An entity charged with implementation of one or more activities funded with Hayward CDBG dollars.

Subrecipient Agreement: A written agreement between the City of Hayward and the subrecipient that is required before CDBG funds are disbursed.

Substantial Amendment: An amendment to the Action Plan or the Consolidated Plan as required when 25 percent of the original award for an activity or plans to utilize funds under a different activity category are proposed.

Technical Assistance: Assistance to an entity by another entity more knowledgeable in the applicable subject field, resulting in increased capacity or knowledge of the assisted entity.

Timeliness: Carrying out CDBG-funded activities in a timely manner.

Timeliness Spending Test: A test conducted sixty days prior to the end of the current program year, to ensure that the amount of entitlement grant funds available to the City of Hayward under grant agreements but undisbursed by the U.S. Treasury is not more than 1.5 times the entitlement grant amount for the current program year.

Urgent Need: Activities designed to alleviate existing conditions of recent origin (18 months) that pose serious threats to the health and welfare of the community; this objective may only be used if the community cannot finance necessary activities with other sources

Women's Business Enterprise (WBE): A business concern that is at least 51% owned by one or more women and whose management and daily business operations are controlled by one or more of these owners.

Overview

These policies are a combination of federal rules and local policies used to oversee the Community Development Block Grant Program (CDBG) for the City of Hayward. They reflect best practices and policies as set forth by the U.S. Department of Housing and Urban Development (HUD). These policies will be updated on an ongoing basis and shall always reflect a coordination of HUD's National Objectives, Eligible Activities, and City Priorities. HUD regulations, guidebooks, and manuals will supersede any future conflicting policies. The citation reference from [Title 24 Code of Federal Regulations \(CFR\) Part 570 - Community Development Block Grants](#) can be found in parentheses next to each heading below.

While there are many aspects that must be considered in selecting activities to assist under the CDBG program, there are six key steps a grant recipient should take in the early stages of the process of determining if CDBG funds may be used to assist a proposed activity.

1. Determine if the activity falls within a category of explicitly authorized activities in the [CDBG statute](#). Generally, if an activity does not fall within a category of explicitly authorized activities in the statute, the activity is considered ineligible. HUD's [Guide to National Objectives and Eligible Activities](#) describes all categories of basic eligibility that were authorized at the time of publication.
2. Determine if a proposed activity that appears not to be included in the statute's list of eligible activities has actually been interpreted as eligible under the statute by the [CDBG Eligible Activity regulations](#).
3. Determine if the proposed activity can meet one of the national objectives of the program, allotted by the eligible activity.
4. Ensure that carrying out the activity with CDBG funds will not result in the City's certification that at least 70 percent of CDBG expenditures will be for activities that are considered to benefit L/M income persons over the one, two, or three consecutive program years specified by the grant recipient.
5. Review proposed costs of the activity to determine if they appear to be necessary and reasonable and will otherwise conform with the requirements of The Office of Management and Budget (OMB) Circulars [A-87](#), "Cost Principles for State, Local, and Indian Tribal Governments," [A-122](#), "Cost Principles for Non-Profit Organizations," [A-21](#), "Cost Principles for Educational Institutions," [24 CFR Part 84](#), "Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations;" or [24 CFR Part 85](#),

‘Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments’, as applicable.

6. Complete the environmental review and clearance procedures for the project of which the activity is a part. Law prohibits HUD from releasing funds for a CDBG activity until the grant recipient certifies that it has met its responsibilities with respect to environmental protection.

National Objectives

([24 CFR 570.208](#))

Statutory Citations Section [101\(c\)](#), [Section 104\(b\)\(3\)](#), [105\(c\)](#) of the Act

Challenge to presumption: The program rules state that an activity that meets the specified criteria for a national objective will be presumed to have met that objective. However, it should be noted that, although it is presumed that all CDBG-assisted activities may involve some benefit to LMI persons or households, the regulations provide that in any case where there is substantial evidence that an activity might not principally benefit LMI persons, even though the activity conforms to a literal reading of LMI Benefit criteria, the presumption that the activity meets the national objective may be rebutted by HUD.

In order to be considered eligible for funding, activities must meet one of three CDBG national objectives

1. Low & Moderate Income (LMI) Benefit

- Area Benefit: activities available for the benefit of all the residents in a particular area, where at least 51 percent of those residents are low-moderate income persons.
- Limited Clientele: activities benefiting low-moderate income residents, as defined by annually established HUD income limits, or a specific group with Presumed Benefit (e.g. abused children, elderly persons, battered spouses) as indicated in 24 CFR [570.208\(2\)\(a\)](#), at least 51 percent of whom are LMI persons.
- Housing: activities carried out for the purpose of providing or improving permanent residential structures that, upon completion, will be occupied by LMI households.
- Job Creation/Retention: activities designed to create or retain permanent jobs where at least 51 percent of the jobs involve the employment of LMI persons.

2. Slum & Blight Removal

- Area Basis: activities undertaken to eliminate specific conditions of blight, physical decay, or environmental contamination that are located in a designated area of distress, including acquisition, clearance, relocation, historic preservation, remediation of environmentally contaminated properties, or rehabilitation. Rehabilitation must

eliminate conditions that are detrimental to public health/safety; acquisition and relocation must be precursors to other activities that eliminate blight.

- Spot Basis: activities undertaken to eliminate specific conditions of blight, physical decay, or environmental contamination at specific sites not located in designated blighted areas, including acquisition, clearance, relocation, historic preservation, remediation of environmentally contaminated properties, or rehabilitation. Rehabilitation must eliminate conditions that are detrimental to public health/safety; acquisition and relocation must be precursors to other activities that eliminate blight.

3. Urgent Need

- Activities designed to alleviate existing conditions of recent origin (18 months) that pose serious threats to the health and welfare of the community; this objective may only be used if the community cannot finance necessary activities with other sources.

Categorical Limits

([24 CFR 570.200](#) and [570.201](#))

At least 70 percent of CDBG funds utilized during three consecutive program years, as specified by the grantee, must be expended for LMI benefit; the costs of planning and program administration are excluded from this calculation. (24 CFR 570.200(a)(3))

The amount of CDBG funds obligated for public service activities in each program year may not exceed 15 percent of the total entitlement grant for that program year, plus 15 percent of the program income received during the preceding program year. (24 CFR 570.201(e)(1))

The amount of CDBG funds obligated for planning and administration activities in each program year may not exceed 20 percent of the total entitlement grant for that program year plus the program income received during that program year. (24 CFR 570.200(g))

Program Income

([24 CFR 570.500](#) and [570.504](#))

Unless the funds are in a Revolving Fund (RLF), program income funds must be used before requesting additional drawdowns of entitlement funds.

The City may reuse any revenue generated from projects undertaken with CDBG funding towards any other eligible activities within the entitlement community. The City shall prioritize one-time City infrastructure projects for these funds. Furthermore, any program income earned by a subrecipient or City Program may be retained by the subrecipient or City Program provided the income is treated as additional CDBG funds and thus subject to all applicable federal and local requirements.

Program Income Defined: Program income is the gross income received by the City and its subrecipients directly generated from the use of CDBG funds.

Program income includes:

- Proceeds from the sale or lease of property purchased or improved with CDBG funds;
- Proceeds from the sale or lease of equipment purchased with CDBG funds;
- Gross income from the use or rental of real or personal property acquired, constructed or improved by the City less costs incidental to the generation of income;
- Payments of principal and interest on loans made using CDBG funds;
- Proceeds from the sale of loans or obligations secured by loans made with CDBG funds;
- Interest earned on an RLF pending its disposition;
- Interest earned on program income;
- Funds collected through special assessments on properties not owned and occupied by LMI households in order to recover the CDBG portion of a public improvement.
- Subgrantee income from an ownership interest in a for-profit entity that was assisted with CDBG.

Program income does not include:

- Any income received in a single year by the City's subrecipients, that does not exceed \$25,000; and
- Amounts generated by activities that are financed by a loan guaranteed under [section 108 of the Act](#); and
- proceeds from fund raising activities carried out by subrecipients receiving CDBG assistance; and

- funds collected through special assessments used to recover the non-CDBG portion of a public improvement; and
- proceeds from the disposition of real property acquired or improved with CDBG funds when the disposition occurs after the applicable time period specified in [24 CFR 570.503\(b\)\(7\)\(i\)](#) for subrecipient-controlled property, or [in 24 CFR 570.505](#) for recipient-controlled property.

Program income paid to the City is always program income and is not subject to the \$25,000 exclusion and must be distributed under the method of distribution. The program income should be distributed, as feasible, prior to additional draws from Treasury.

Program income retained by the City is treated as additional CDBG funds subject to all CDBG requirements.

Program income that is held in a revolving fund does not have to be used before grant funds are drawn down for a different type of CDBG project. However, program income in a revolving fund must be used before additional grant funds are drawn down for revolving fund activities.

Cost Principles

OMB [Circulars A-87](#) (state and local governments) and [A-122](#) (nonprofits) provide basic guidelines for determining whether a cost is allowable.

To be allowable under CDBG (and other federal programs), cost must meet the following general criteria:

- Be necessary and reasonable for proper and efficient performance and administration of the federal award;
- Be allocable to the federal award under the provisions of the OMB circulars (see below);
- Be authorized or not prohibited under state or local laws or regulations;
- Conform to any limitations or exclusions set forth in the OMB circulars, 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.

The OMB circulars also contain a “selected” list of costs that are allowable or unallowable. However, the fact that an item of cost is not included does not mean it’s unallowable. Rather the cost’s allowability is determined by reference to the basic guidelines.

Cost Allocation

Costs charged to CDBG must also be allocable to the CDBG program.

A cost is allocable if it is treated consistently with other costs incurred for the same purpose in like circumstances (i.e., states/ units of general local government must treat costs consistently for all grant programs); and:

- Is incurred specifically for the CDBG program;
- Benefits both the CDBG program and other work and can be distributed in reasonable proportion to the benefits received; or
- Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown.

Any costs allocable to a particular federal award or cost objective (such as CDBG) may not be charged to other federal awards to overcome funding deficiencies, to avoid restrictions imposed by law or the terms of the federal award, or for other reasons.

Indirect Costs – State and Local Governments

[OMB Circular A-87](#) (State and Local Governments)

[OMB Circular A-87](#) requires that governmental entities support indirect costs with a cost allocation plan or an indirect cost proposal prepared in accordance with the circular. Indirect costs should be allocated in a manner which will result in the grant program bearing its fair share of total indirect costs.

A central service cost allocation plan is required if the local government has indirect costs resulting from centralized services that will be charged to federal awards.

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

Refer to [Attachment C of OMB Circular A-87](#) for additional information.

An indirect cost rate proposal is required if the local government has indirect costs resulting from centralized services that will be charged to federal awards and other indirect costs originating in various departments/agencies carrying out federal awards.

An indirect cost rate proposal is the documentation prepared by a governmental entity to substantiate its request for the establishment of an indirect cost rate. This rate, expressed in percentage terms, is applied to direct costs in order to determine the amount of reimbursement a state can obtain for indirect costs.

Indirect Costs - Nonprofits

[OMB Circular A-122](#) (Nonprofits)

Under [OMB Circular A-122](#), there are three methods nonprofits are required to utilize for allocating indirect costs. Each method is applicable to certain specific circumstances.

Simplified allocation method:

- Used when a nonprofit organization has only one major function, or where all its major functions benefit from its indirect costs to approximately the same degree.
- The indirect cost rate is calculated by separating the organization's total costs for the base period (e.g., fiscal year) as either direct or indirect, and dividing the total allowable indirect costs by an equitable distribution base (total direct costs, direct salaries or other equitable distribution base).

Multiple allocation base method:

- Used when major functions benefit in varying degrees from indirect costs.
- Costs are separated into distinct groupings, and each grouping is then allocated to benefiting functions by means of a base which best measures relative benefits. An indirect cost rate must be developed for each grouping.

Direct allocation method:

- This method may be used for those nonprofits that treat all costs as direct costs except general administration and general expenses.
- These joint costs are prorated individually as direct costs to cost objectives using a base most appropriate to the particular cost being prorated. The base must be established in accordance with reasonable criteria and must be supported by current data.
- Indirect cost rates determined through one of the three prescribed methods must be submitted to and approved by the federal agency that provides the largest dollar value of funds to the nonprofit.
- A written agreement is executed between the nonprofit and the approving federal agency signifying the approval of the proposed indirect cost rate.

Standards for Financial Management Systems

The City must have financial management systems in place to comply with the following standards:

- Provide effective control over and accountability for all funds, property and other assets;
- Identify the source and application of funds for federally-sponsored activities, including records and reports that:
 - Verify the “reasonableness, allowability and allocability” of costs; and
 - Verify that funds have not been used in violation of any of the restrictions or prohibitions that apply to the federal assistance (through the use of budget controls and adequate accounting records).
 - Permit the accurate, complete and timely disclosure of financial results in accordance with HUD reporting requirements or, for City, state reporting requirements.
 - Minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by the state or City.

Accounting Records

The City is required to have accounting records that sufficiently identify the source and application of CDBG funds provided to them.

To meet this requirement, the City's accounting system should include at least the following elements:

- Chart of accounts - This is a list of account names and the numbers assigned to each of the account names. The names provide a description of the type of transactions that will be recorded in each account (e.g., an account titled "cash" denotes that only transactions affecting cash should be recorded in that account). The account number is required by most accounting software programs and is assigned to an account name to group similar types of accounts. For example, all asset accounts will begin with a "#1" and all liability accounts will begin with a "#2". A typical chart of accounts will generally include the following categories: assets, liabilities, net assets/fund balance, revenues and expenses.
- Cash receipts journal - A cash receipts journal documents, in chronological order, when funds were received, in what amounts and from what sources.
- Cash disbursements journal - A cash disbursements journal documents, in chronological order, when an expense was incurred, for what purpose, how much was paid and to whom it was paid.
- Payroll journal - A payroll journal documents payroll and payroll related benefit expenses on salaries and benefits, including distinguishing between categories for regulatory purposes.
- General ledger - A general ledger summarizes, in chronological order, the activity and financial status of all the accounts of an organization. Information is transferred to the general ledger after it is entered into the appropriate journal. Entries transferred to the general ledger should be cross-referenced to the applicable journal to permit the tracing of any financial transaction.

All journal entries must be properly approved and supported by source documentation.

Documentation must show that costs charged against CDBG were:

- Incurred during the effective period of the agreement with HUD or, for Units of general local government, with the State;
 - Actually paid out (or properly accrued);
 - Expended on eligible items; and
 - Approved by the appropriate official(s) within the organization.

- Source documentation must explain the basis of the costs incurred and the actual dates of the expenditure. For example:
 - Source documentation for payroll would include employment letters, authorizations for rates of pay and benefits and time and attendance records.
 - Source documentation on supplies would include purchase orders or purchase requisition forms, invoices from vendors, canceled checks made to vendors, information on where the supplies are stored and the purpose for which they are being used.
- The City must ensure that their accounting records include reliable, up-to-date information on the sources and uses of CDBG funds, including:
 - Amount of federal funds received;
 - Current authorization of funds;
 - Obligations of funds;
 - Unobligated balances;
 - Assets and liabilities;
 - Program income; and
 - Actual expenditures broken down by the grant program and year for which the funds are derived and the activity on which the funds were used.

Environmental Review Procedures

([24 CFR 570.604](#))

The environmental review procedures must be completed for each CDBG subrecipient and City Program activity, as applicable.

Environmental Review Record

The City must prepare and maintain a written record of the environmental review undertaken for each project. This written record or file is called the Environmental Review Record (ERR), and it must be available for public review upon request.

The ERR shall contain all the environmental review documents, public notices (and proof of their publication), and written determinations or environmental findings required by [24 CFR Part 58](#) as evidence of review, decision making and actions pertaining to a particular project.

The document shall:

- Describe the project and each of the activities comprising the project, regardless of individual activity funding source; and
- Evaluate the effects of the project or the activities on the human environment;
- Document compliance with applicable statutes and authorities; and
- Record the written determinations and other review findings required by [24 CFR Part 58](#).

The ERR will vary in length and content depending upon the level of review required for the categories of activities.

Public comments, concerns and appropriate resolution by the recipient are extremely important and must be fully documented in the ERR.

The four environmental classifications are:

- Exempt Activities,
- Categorically Excluded Activities,
- Activities Requiring an Environment Assessment, or
- Activities Requiring an Environmental Impact Statement.

Regardless of the number of activities associated with a project, a single environmental review is required. Aggregating related activities ensures the recipient adequately addresses and analyzes the separate and combined impacts of a proposed project.

Faith-Based Activities

[\(24 CFR 570.200\)](#)

Religious or faith-based organizations are eligible to participate in the CDBG program. Local government representatives and CDBG program administrators shall not discriminate against an organization on the basis of its religious affiliation.

Report Submission Requirements

[\(24 CFR 570.302\)](#)

CDBG entitlement communities must submit the following documents:

1. Action Plan
2. Consolidated Annual Performance and Evaluation Report (CAPER)
3. Consolidated Plan three to five years, as chosen by the entitlement community

Creation of these documents must follow HUD requirements for content and citizen participation (see [24 CFR 570.486\(a\)](#) and the City of Hayward [Citizen Participation Plan](#)).

Location of Activities

[\(24 CFR 570.309\)](#)

CDBG funds may be awarded to an activity outside the jurisdiction of the entitlement community only if it can be determined that the activity directly benefits the entitlement community's residents.

Documentation of these benefits must be provided before CDBG funds are awarded for the activity.

Conflict of Interest

[\(24 CFR 570.611\)](#)

There are two sets of conflict of interest provisions applicable to activities carried out with CDBG funding. The first set, applicable to the procurement of goods and services by subrecipients, is the procurement regulations located at [24 CFR 84.44](#) and [85.36](#). (See [24 CFR 570.611\(a\)\(1\)](#).) The second set of provisions is located at [24 CFR 570.611\(a\)\(2\)](#). These provisions cover situations not covered by parts [84](#) and [85](#).

With respect to procurement activities, the subrecipient must maintain written standards of conduct governing the performance of its employees engaged in the award and administration of contracts. At a minimum, these standards must:

- Require that no employee, officer, or agent may participate in the selection, award, or administration of a contract supported by Federal funds if a real or apparent conflict would be involved.

Such a conflict would arise when any of the following parties has a financial or other interest in the firm selected for an award:

- an employee, officer, or agent of the subrecipient;
 - any member of an employee's, officer's, or agent's immediate family;
 - an employee's, agent's, or officer's partner; or
 - an organization which employs or is about to employ any of those in the preceding section.
- Require that employees, agents, and officers of the subrecipient neither solicit nor accept gratuities, favors, or anything of value from contractors, or parties to subagreements. However, subrecipients may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. Provide for disciplinary actions to be applied for any violations of such standards by employees, agents, or officers of the subrecipient.

With respect to all other CDBG-assisted activities, the general standard is that no employee, agent, or officer of the subrecipient, who exercises decision-making responsibility with respect to CDBG funds and activities, is allowed to obtain a financial interest in or benefit from CDBG activities, or have a financial interest in any contract, subcontract, or agreement regarding those activities or in the proceeds of the activities. Specific provisions include that:

- This requirement applies to any person who is an employee, agent, consultant, officer, or elected or appointed official of the grantee, a designated public agency, or a subrecipient, and to their immediate family members, and business partner(s).
- The requirement applies for such persons during their tenure and for a period of 1 year after leaving the grantee or subrecipient organization.
- Upon written request, exceptions may be granted by HUD on a case-by-case basis, after consideration of the cumulative effect of various factors listed at [24 CFR 570.611\(d\)](#), and only with: (a) full disclosure of the potential conflict, and (b) a legal opinion of the grantee's attorney that there would be no violation of state or local laws in granting the exception. (Exceptions cannot be made retroactively.)

Operating Problems and Non-Compliance

All Department of Library and Community Services personnel are responsible for communicating any CDBG problems and/or noncompliance issues with laws and regulations upward and in writing. Divisional staff will report to the Community Services Manager, and the Community Services Manager will communicate to the Director of Library and Community Services for guidance. The Director of Library and Community Services will communicate to the City Manager and/or the City Attorney to provide direction to staff as to next steps and corrections.

Notification of Illegal Acts or Irregularities

All City of Hayward personnel and subrecipients are responsible for immediately notifying the Community Services Manager and the Director of Library and Community Services of any illegal acts or irregularities associated with the CDBG program by recipient or subrecipient staff. It shall be required that staff conduct an investigation of written allegations and if found to be true or unverifiable, HUD shall be notified and staff shall request guidance as to follow-up action. In the event that staff is conducting illegal acts or irregularities, HUD should be immediately notified at (415) 489-6597.

LOCAL PROGRAM GUIDELINES

Overview

These local guidelines expand on and clarify how the national guidelines are applied to the City of Hayward's CDBG Program, which has operated since 1975 as an entitlement grantee. The [Housing and Community Development Act of 1974](#) makes funds available to qualified cities to develop of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities. The exact amount of CDBG funding allocated to the City is based on a formula that incorporates several urban characteristics including population, age and condition of the City's housing stock, demographics, and incidence of poverty.

Local program guidelines are intended to guide City staff in program implementation and provide a framework for operating the program in compliance with federal statutes, best practices, and local policies. These guidelines are elastic to allow for expansion and contraction of policies as activities, community needs, interpretations, guidance, and statutes change and/or as clarification is required.

Program Oversight

The City Council, composed of six Council Members and one Mayor, serves as the governing body to authorize and approve CDBG program activities in the City of Hayward. Executive authority for the execution of CDBG contractual agreements and expenditure of CDBG funds rests with the City Manager, as authorized by the City Council.

CDBG program administration is provided by the Department of Library and Community Services. The Director of Library and Community Services and/or their designee shall make presentations and provide recommendations to the City Council regarding the CDBG program.

The Community Services Commission serves as the citizen advisory body to the CDBG program, in fulfillment of [Citizen Participation Plan](#).

The Director of Library and Community Services may propose one-time CDBG-eligible City infrastructure projects to the City Manager for previously allocated but unspent CDBG funding. The City Manager may bring such one-time projects directly to the City Council for authorization as deemed necessary and appropriate for the timely expenditure of CDBG funds.

All public hearings are reasonably noticed as required by [24 CFR 570.486\(a\)](#), with a minimum 14-day Public Hearing Notice.

Annual Allocation of CDBG Funding

The City of Hayward's Program Year begins July 1 and concludes June 30 of the following year. Each program year, administration, audit and fair housing costs will be subtracted from the annual entitlement award amount to determine the adjusted award. The adjusted award will first be available to City of Hayward Departments/Programs/ component units that wish to undertake projects. After the City allocation process is complete, any remaining funds may be allocated to eligible community partner and public services applicants at the discretion of the Council. The City of Hayward may from time to time exercise the option to use a two or three year Funding Cycle in conjunction with a multi-year budget if the time frame fits within the Consolidated Plan.

The Community Services Commission will begin its funding process in the fall. This includes a call for applications, review of applications, interviews, and then funding deliberations.

City Program Allocation Process

City of Hayward Departments will have the opportunity to submit CDBG funding proposals for activities. Priority will be given to Housing Rehabilitation, Neighborhood Services, and Economic Development. All City proposals will include information relating to goals, outputs, budget/financing, detailed activity descriptions, capacity and performance. Community Services staff, per HUD rules and regulations, will perform an administrative review of each proposal to ensure that:

Proposed activities are included within the listing of eligible activities ([24.CFR.570.201](#))
Proposed activities do not fall within a category of explicitly ineligible activities ([24.CFR.570.207](#))

Proposed activities will meet one of the national objectives of the program ([24.CFR.570.200](#)), allotted by the eligible activity.

Proposed activities will address priority needs as identified in the Consolidated Plan

Upon completion of the administrative review, the proposals will be presented to the Community Services Commission for review, with funding amounts previously determined. These proposals will be submitted to the City Council in conjunction with the Commission's recommended Adjusted Award Allocations.

Subrecipient Allocation Process

The subrecipient application process will begin after staff's administrative review of proposals and determination of funding amounts for city programs and end with recommended allocations being announced. Applications will be made available for approximately one month and be received online. All applications must be received by the announced deadline; no exceptions will be made. Department of Library and Community Services staff will perform an administrative review of each proposal, per HUD rules and regulations, to ensure the standards listed in [24.CFR.570](#), will be met if proposed activities are funded, and that entities are eligible recipients.

Upon completion of the administrative review, the applications will be presented to the Community Services Commission which will review and make funding recommendations for each subrecipient proposal. Department of Library and Community Services staff will make separate recommendations to City Council in conjunction with the Commission's recommendations.

The Community Services Manager will facilitate meetings with this Commission to offer guidance on evaluation and analysis of currently funded CDBG activities. Commission members will have the opportunity to sign up to serve on categorical Application Review Committees (ARCs) to conduct applicant interviews. Commissioners will be presented with an overview of the federal CDBG Program, a summary of each proposal, and an explanation of the proposal process. Following the interviews, recommendations by each ARC will be made to the Commission. The entire Commission will deliberate the recommendations of each ARC, comments will be collected by Department of Library and Community Services staff who will compile all results. A subsequent meeting of the Commission, as calendared, will be held to finalize funding recommendations based on Commission deliberations, community needs and funding availability.

In completing their funding recommendation, the Commission will utilize an estimated CDBG entitlement award dollar amount, which will be calculated based on past awards and available information on HUD's future funding strategies. The Commission's recommendations will be presented to City Council in a work session and a public hearing. All public hearings are reasonably noticed as required by [24 CFR 570.486\(a\)](#), with a minimum 14-day Public Hearing Notice. City Council-approved recommended CDBG allocations will be announced by May.

Estimated vs. Actual Entitlement Award

If there is any differential between the estimated award presented during the application process and the actual award as announced by HUD, the Director of Library and Community Services shall make a determination for administratively resolving any differential.

Agreement/Memorandum of Understanding

Subrecipients of CDBG funds must enter into a subrecipient agreement with the City of Hayward. Written agreements are required before any CDBG funds will be disbursed. This subrecipient agreement serves as a formal contract addressing the various policies outlined in this document, in addition to contract amount/term, reimbursement requests, quarterly reporting, monitoring, financial management guidelines, uniform administrative requirements, suspension and termination, reversion of assets, conflict of interest, and additional federal standards, including lead-based paint regulations and the Davis Bacon Act. Furthermore, each City Program receiving CDBG funds must sign a Memorandum of Understanding (MOU) indicating an understanding of the items above.

Statement/Scope of Work

All subrecipients and City Programs shall submit a concise Statement/Scope of Work that illustrates an implementation plan for their CDBG activity. This Statement, which will be attached to the subrecipient agreement/MOU includes: national objective claimed, activity descriptions, intended beneficiaries (number and type), detailed budget and location(s) of program-related activity.

Report Submissions

All subrecipients and City Programs are required to submit Quarterly Activity Reports by the 15th of the month following the end of each quarter. If said reports are not received by the requested date, future payments will be withheld, and entities will not be recommended for future funding. In the instance that reports are not being submitted correctly, or in a timely manner, a subrecipient or City Program may be called to address the Community Services Commission on reasoning behind the tardiness.

Examination of Records/Monitoring

The subrecipient and City Program shall maintain records (including books, documentation and other evidence) pertaining to the costs of carrying out their activity to the extent of detail that will adequately reflect net costs, direct and indirect labor, materials, equipment, supplies/services, and other expenses. Authorized representatives of the City or HUD shall have access to subrecipient and City Program records at reasonable times of the business day for inspection, audit or reproduction. Subrecipients and City Programs must make these records available throughout the program year and four years after it expires. Furthermore, Department of Library and Community Services staff may schedule monitoring visits with the subrecipient to evaluate the progress/performance of the program and provide technical assistance. Staff may also conduct monitoring reviews of a subrecipient at any time, without prior notification. Subrecipients that receive CDBG funds for multiple consecutive program years are subject to on-site monitoring reviews every two years, at minimum.

Procurement

The HUD Procurement Policy found in 24 CFR [Part 84](#) and [85](#) applies to all CDBG activities, including both City Programs and subrecipients that involve the purchase of equipment, materials, supplies and/or services. A copy of this policy will be distributed to all subrecipients.

City Programs and subrecipients are encouraged to make positive efforts to use small businesses, minority-owned firms (MBE), and women's business enterprises (WBE) in procuring services of all types. It is not required that program participants use MBE/WBE financial institutions, but it is encouraged.

City Programs and subrecipients are encouraged to make positive efforts to use Section 3 businesses in procuring services of all types. Good faith efforts must be documented for all construction projects. [Section 3 of the Housing and Urban Development Act of 1968](#) is designed to increase local job opportunities for low income individuals.

Local Categorical Limits

The following limits expand upon federal categorical limits associated with the CDBG program:

- At least 70 percent of CDBG funds utilized during a single program year must be expended for LMI benefit; this excludes planning/CDBG administration activities.
- The amount of CDBG funds obligated for public service activities shall be based on [HUD guidelines](#).
- Program Income used toward other eligible activities outside of the funding process may not exceed 15 percent in the year program income is committed
- The amount of CDBG funds obligated for planning/CDBG administration activities in each program year shall be based on [HUD guidelines](#).
- Any single award will not be less than \$10,000.

Program Administration

HUD requires entitlement communities to provide for efficient and adequate administration of CDBG programming. Administration costs include: salary/fringe, necessary training/travel, supplies and telephone/postage, in addition to fair housing services and audit costs. The necessary amount for fulfilling this requirement will be identified by the Director of Library and Community Services and the Director of Finance.

This amount will be deducted from the estimated amount available for the program year and not included in the estimates of the adjusted award. For additional internal control of program administration, a detailed description of these costs will be presented in the City's Budget.

Other administrative costs are associated with Technology, Professional Services, Cost Allocation and other necessary services. This may include costs of external service providers contracted by the City to perform necessary functions such as online application and data processing services. Examples of external service providers include EveryOne Home Homeless Management Information System (HMIS) and CityData Services.

Services will be procured in accordance with procurement policies in [24 CFR Part 85](#). City preference is for all subrecipients, including fair housing activities and those seeking funding for technical assistance to businesses (not in connection with other special economic development activities) and capacity building, to meet a national objective and not be funded from the administrative cap.

Economic Development

Special Economic Development Projects ([24 CFR 570.203](#))

CDBG funds may be used for special economic development activities in addition to other activities. Selection of economic development activities will follow all guidelines outlined in [24 CFR 570.209](#).

Special economic development activities include:

Acquisition, construction, reconstruction, rehabilitation or installation of commercial or industrial buildings, structures, and other real property equipment and improvements
Assistance to a private for-profit business, including, but not limited to, grants, loans, loan guarantees, interest supplements, technical assistance, and other forms of support, for any activity where the assistance is appropriate to carry out an economic development project

Economic development services, including, but not limited to, outreach efforts; screening of applicants; reviewing/underwriting applications; preparation of all necessary agreements; management of activities; and the screening, referral, and placement of applicants for employment.

Public Benefit Standards for Special Economic Development

The City of Hayward will apply aggregate standards of public benefit to individual special economic development projects. Projects must create or retain at least one full-time equivalent, permanent job per \$35,000 of CDBG funds used; or provide access to goods and services to at least one low-moderate income person per \$350 of CDBG funds used.

MicroEnterprise

The City of Hayward will allow Economic Development funds to be used as grants and/or loans for the development of Microenterprises.

Program Income

Any program income (as defined under [24 CFR 570.500\(a\)](#)) gained from any activity of the subrecipient may be retained by the subrecipient or City Program provided the income is treated as additional CDBG funds subject to all applicable requirements governing the use of CDBG funds. Anticipated program income must be documented and described in the subrecipient or City Program proposal/application. Furthermore, any and all program income received must be reported to the Department of Library and Community Services, unless otherwise specified in the subrecipient's contract.

Drawdown Procedures

Overview

The City of Hayward is on a reimbursement basis with HUD for the CDBG program. Similarly, subrecipients and contractors are on a reimbursement basis with the City for expenses incurred in CDBG program activities. As the City or its subrecipients incur expenses, claims for payment are submitted, reviewed and approved for payment by appropriate CDBG program staff who then sends claims for payment to the Finance Department. After checks have been issued for these claims, drawdowns of these expenses are completed in Integrated Disbursement & Information System (IDIS).

1.0 Drawdown Responsibilities

- 1.1. Analyst I will prepare drawdown spreadsheet titled FY XX-XX Drawdown #Y (e.g., FY 12-13 Drawdown #1). Any other description can be added after the draw number; e.g. timeliness draw. By using this nomenclature for the title, the reviewer will know exactly what this particular drawdown spreadsheet contains.
- 1.2. Analyst I will email the drawdown packet, which will include the drawdown spreadsheet and all backup documentation for the period that verifies expenditures in this draw. That email will go to the Community Services Manager and the Director of Library and Community Services for approval prior to any draw being initiated. After the first draw is made, the PR07 report will also be included in this email so that the reviewer/approver can see exactly how much has been drawn from IDIS for all periods within the Fiscal Year.
- 1.3. The Community Services Manager and the Director of Library and Community Services will review and approve the drawdown spreadsheet within two (2) business days of receipt unless there is a problem with the spreadsheet. If there are any questions, problems or issues, the Analyst I will respond and revise the drawdown spreadsheet as appropriate prior to approval.
- 1.4. Analyst I will input approved drawdown data into IDIS.
- 1.5. Analyst II will review that data against the drawdown spreadsheet and approve the drawdown in IDIS.

2.0 Preparation of drawdown spreadsheet

- 2.1. The Monday following the last Friday of the month, Analyst I will begin to cross reference source documentation with the general ledger. If any discrepancies exist, Analyst I will research that discrepancy and a note will be made in the drawdown packet explaining the discrepancy and any required follow up. Source documentation will consist of subrecipient reimbursement spreadsheets maintained in citydataservices.net, and other sources as needed.
- 2.2. Analyst I will prepare the drawdown spreadsheet. Analyst I will complete the drawdown detail and program income detail worksheets before confirming accuracy or making any changes to the open activity and drawdown spreadsheet worksheets.

3.0 Drawdowns

3.1. *Requirements:*

- 3.1.1. All activity setup screens must be complete.
- 3.1.2. Activities must have funds committed from one or more funding sources.
- 3.1.3. Program income must be used before requesting additional entitlement funds.
- 3.1.4. Analyst I will follow [the IDIS Online Training for CDBG Entitlement Communities](#) Chapters 5 through 7 to perform monthly drawdowns. Program income must be receipted in IDIS as the first step of performing the drawdown. Program income must then be used to fund activities. As necessary, previously committed Entitlement funds may be reduced using the Funding/Drawdown tab in IDIS in order to commit the PI funds.
- 3.1.5. Payments reimbursed with HUD grant funds MUST have an IDIS number.

3.2. *Drawdown Approval*

- 3.2.1. Two people required for completion of the drawdown in IDIS. Analyst I creates drawdown. Analyst II approves drawdown.

3.3. *Drawdown Revisions*

- 3.3.1. Repayments include excessive draws and ineligible uses.
- 3.3.2. When amounts are small (less than \$100,000) and can be used to satisfy immediate cash needs, then net available cash out of next draw requests, just like program income.
- 3.3.3. Use revise drawdown to move all or a portion of a drawdown to activity that will use the money. Example: We did not really spend \$500 on Activity X. We actually spent \$400 on Activity X and this \$100 was used for Activity Y.

3.4. *IDIS passwords*

Each person entitled to utilize IDIS shall have a unique password. These passwords shall be kept confidential and known only to the person using them for IDIS access. At no time shall anyone else have access to that password.

3.5. *Keeping track of IDIS draws*

- 3.5.1. All drawdowns, with complete spreadsheet detail and backup documentation, will be maintained electronically on the City of Hayward network server under “T Drive: CDBG Plans & Reports/Drawdowns/ FY ___-___/ #___”.
- 3.5.2. A drawdown file will be maintained with hard copy Administrative files for the Fiscal Year. As draws are done for actual cleared expenses, and may include multiple years, the file does not represent the expenses for the Fiscal Year in which is it maintained. Documentation for each draw will include the signed drawdown spreadsheet, the PR07 Report for the vouchers associated with the draw showing “completed” voucher status, and other relevant documentation as determined by Analyst I. PR05 will be included at the end after the last draw for all relevant program years.

3.6. *Monthly drawdowns.*

City staff shall complete the approval for the monthly drawdowns by the second Friday of the following month. .

Audit Requirements

The Office of Management and Budget ([OMB Circular A-133 – Audits of States, Local Governments, and Non-Profit Organizations](#)) and [OMB Circular A-133 Compliance Supplement](#) and the [State Single Audit Guidelines](#) require major state programs (awards over \$100,000) and federal programs (awards over \$500,000) to complete a single audit. The necessary amount for fulfilling these requirements will be identified by the Department of Finance and the City's independent auditors. This amount will be deducted from the estimated amount available for the program year and not included in the estimates of the adjusted award. Cost allocations will be associated with the most current Cost Allocation Schedule adopted by the Hayward City Council. The City will not fund any outside agency audits with CDBG money unless the outside agency receives not less than \$500,000 in federal funds.

The City of Hayward must ensure that all subrecipients and City Programs maintain accurate records of their CDBG funds expended. Thus, all subrecipients and City Programs are required to complete an independent fiscal audit prior to submitting an application, unless an alternate arrangement has been made to use a fiscal sponsor. Fiscal sponsors, agencies willing to provide an umbrella for non-audited agencies, shall have a current independent fiscal audit, and may receive up to 10% of the applicant's award. . Audits shall be conducted by qualified personnel in a manner which meets the audit standards of the Comptroller General of the U.S. Government Accountability Office (GAO). Applications without audits will be deemed ineligible without review. All audits will be reviewed by administrative staff for compliance.

Unspent Grant Funds

Any uncommitted CDBG funds remaining at the end of the program year will be reprogrammed for use in the subsequent program year, unless the reprogramming of said funds would inhibit the City's ability to meet the timeliness spending test. In order to demonstrate funds are committed, all subrecipients and City Programs must present documentation to demonstrate that funds are indeed contracted for a specific project. If funds are not under contract, but designated for a specific project, a carryover request, including both substantial documentation of plans for expending funds and a timeline for the expenditure, should be submitted to the Director of Library and Community Services for approval three months prior to the end of the Fiscal Year. If the carryover request is approved, monthly progress reports on spend down must be filed with the Department of Library and Community Services, which will present them as information items to the Community Services Commission. Any unspent grant funds not under contract after June 30, will be recouped by the City and reprogrammed for use in the subsequent program year.

If the carry forward of unspent grant funds would inhibit the City's ability to meet the timeliness spending test, allocations of CDBG funding in total amounts less than \$250,000 in a single Program Year may be directed toward eligible City Projects/Programs within the same category of the unspent allocation. The Director of Library and Community Services may propose one-time CDBG-eligible City infrastructure projects to the City Manager for such previously allocated but unspent CDBG funding. Depending on project size and scope, the City Manager may bring such one-time projects directly to the City Council for authorization as deemed necessary and appropriate for the timely expenditure of CDBG funds. This eliminates the need for a public hearing for previously allocated funds less than \$250,000 and creates a more efficient process for meeting future timeliness. Reallocations of unspent CDBG funding in total amounts greater than \$250,000 in a single Program Year shall be presented to the City Council in a Public Hearing, and if approved by Council, submitted to HUD as a Substantial Amendment. All public hearings are reasonably noticed as required by [24 CFR 570.486\(a\)](#), with a minimum 14-day Public Hearing Notice.

Financial Management Systems

Subrecipients and City Programs must employ financial management systems that are capable of generating regular financial status reports indicating the dollar amount allocated (including budget revisions), amount obligated, and amount expended for each activity. The system must permit the comparison of actual expenditures and revenues against budgeted amounts. The City must be able to isolate/trace every CDBG dollar received. This system must be compliant with the Federal Guidelines, including but not limited to OMB Circulars [A-21](#), [A-87](#), [A-122](#), and [A-133](#); [24 CFR Parts 570, 84](#), and [85](#).

Payment Requests

Subrecipients will submit written requests for payment with attached supporting documentation to the Department of Library and Community Services. Payment requests shall be allowed on a reimbursement basis (i.e. only after expenditures have been incurred and cleared) and shall be reviewed to ensure the expenditures are in conformity with the use of funds as described in the Statement of Work.

If source documentation is deemed inadequate or incorrect by Staff, all payments will be withheld until all required documents have been submitted. Payment requests received and approved will be processed and a check issued in accordance with the Department of Finance payment processes.

All payment requests must contain an original signature. Requests can be submitted online, but must be scanned and uploaded with the original signature. City Programs shall request payment via the departmental approval process. The request subject to approval by the Director of Library and Community Services to ensure that reimbursements reflect the original activity for which funds were awarded. Failure to provide accurate documentation violates the subrecipient agreement.

Consolidated Plan Submission

The City of Hayward has elected to submit a Consolidated Plan to HUD every five years, and is required to submit the Consolidated Plan to HUD a minimum of 45 days before the start of a new plan period. The [Citizen Participation Plan](#) provides for and encourages citizens to participate in the development of the Consolidated Plan, which will begin approximately one year before the required submittal date.

City Definitions

- Subrecipient - an entity charged with implementation of one or more activities funded with Hayward CDBG dollars
- City program - an eligible activity or service provided by City of Hayward staff through a non-competitive application process.
- Adjusted Award - the amount of CDBG funds available to subrecipients after City Programs, administration, fair housing, and audit allocations are deducted

Analysis of Impediments to Fair Housing Choice

Funding for production/updating of the [City of Hayward Analysis of Impediments to Fair Housing Choice](#) will be approved every five years, and performed in conjunction with the Alameda County HOME Consortium and Consolidated Planning process. (See [Federal Fair Housing Requirements](#)).

Change of Use

If a subrecipient or City Program wishes to utilize a portion of funds for an activity not identified on their original application, they are required to submit a detailed letter to the Director of Library and Community Services explaining the reasoning for and amount of the proposed change. Changes will be reviewed for eligibility and require administrative approval by the Director of Library and Community Services. Changes involving an amount greater than 25 percent of the original award for that activity or plans to utilize funds under a different activity category shall require a Substantial Amendment.

Displacement/Relocation

Due to the potential liability for long-term assistance and burdens placed on affected tenants, the City of Hayward will avoid funding CDBG projects that involve permanent residential displacement or business relocation unless displacement/relocation prove to be the only means available to correct a public health/safety hazard or other critical condition. In such cases, the City of Hayward will follow Real Estate Acquisition and Relocation Policy and Guidance set forth in [HUD handbook 1378](#).

Disputes

Any dispute concerning a question of fact arising under a subrecipient program or City Program shall be resolved by Community Services Division staff, who shall relay his/her decision in writing to the subrecipient or City Program, in addition to furnishing a copy to the City Manager. The decision of Community Services Division staff shall be final and conclusive unless the subrecipient or City Program furnishes a written appeal to the City Manager within ten days of the date of receipt of such copy. The decision of the City Manager in such appeals shall be final and binding.

Suspension/Probation and Termination

The City may place a subrecipient/city partner on probation, suspend, or terminate the Agreement/MOU, as accorded by [24 CFR 85.43](#) and [24 CFR 85.44](#). When minor compliance issues exist (such as failure to maintain Minimum Contracting Standards), an informal approach via phone calls and e-mail may occur first and funds may be held until compliance is met. If compliance of the minor issue is not met within 10 business days or if another compliance issue exists, a certified letter requiring a Corrective Action Plan will be sent to the Executive Director, Chief Operating Officer, Board of Director's and/or Department Director's attention. In the case of suspension or probation, depending upon the severity of the compliance problem, city staff shall provide not less than two (2) and not more than 10 business days to submit a Corrective Action Plan. If the agency does not implement the Corrective Action Plan according to the approved schedule, that will be grounds for termination.

If a subrecipient/city partner fails to fulfill its obligations, the City Manager may terminate the contract, in whole or part, by providing written notice of the termination and specifying the effective date, at least five (5) days before the effective date of such termination. If funds were used in a non-eligible manner, the staff liaison will include written documentation of the determination and the sum due for repayment or deduction from undisbursed funds as appropriate.

The subrecipient/city partner and the City Manager may terminate the contract for any reason upon giving at least 30 days written notice prior to the effective date. In the case of partial termination, the portion to be terminated must be specified in the notice. If the staff liaison determines that the partial termination will prevent the program from accomplishing the purpose of the award, the City Manager may completely terminate the contract.

CDBG Collection Procedures

Upon any condition of loan default: 1) nonpayment; 2) lack of insurance; 3) violation of rent limitations; 4) failure to report on use or continued eligibility; 5) change in title or use without approval; 6) default on senior loans; 7) any other reason as defined by the loan agreement, the Lender or hired loan servicer will send out a letter to Borrower notifying them of the default situation. A monthly report of defaulted loans will be submitted to the City Manager.

Active collection efforts will begin on any loan that is in default for 31 or more days. Attempts will be made to assist borrower in bringing and keeping the loan current. Letters to Borrower will be sent the Borrower every 30 days, documenting attempts. These attempts will be conveyed in an increasingly urgent manner until default has reached 90 days in default, at which time the Lender may consider aggressive collection proceedings to recover funds: 1) foreclosure; 2) claim collateral; 3) civil or criminal lawsuits; 4) sell debt to a collections agency; and 5) any other available judicial procedure to recover funds owed. Lender's staff will consider the following factors before initiating any of these measures:

1. Can the loan be cured and can the rates and terms be adjusted to correct default, avoid aggressive collection proceedings and best protect funds? Can a work out plan be initiated?
2. Can the Borrower refinance with a private lender and pay off the Lender?
3. Can the Borrower sell the property and pay off the Lender?
4. Does the balance warrant aggressive collection proceedings? Will it be more costly to pursue recovery than to bad-debt the loan?
5. Will collection of collateral cause individuals to be displaced or become homeless?
6. Will the sales price of the property "as is" cover the principal and interest owed, costs of necessary advances (i.e. fire insurance premiums, monthly yard maintenance, monthly space rents if a mobile home, property taxes, inspections to prevent vandalism, etc.), and costs of aggressive collection proceedings (i.e. foreclosure, disposition, legal fees, marketing, procurement of services, consultants, etc.)?

Lender's staff or hired loan servicer will consider all the above factors, and prepare a recommendation to pursue aggressive collection proceedings or bad debt the loan. Recommendations for bad debts under \$10,000 may be administratively approved by the Director of Library and Community Services. Recommendations of \$10,000 or more require

approval by the Director of Library and Community Services, Director of Finance, City Attorney, City Manager, and City Council. City Council makes the final decision on all aggressive collection proceedings and bad debt write-offs on CDBG loans over \$10,000, and is advised of any bad debt write-off on CDBG loans under \$10,000.

If aggressive collection proceedings are approved, the Borrower be notified, by certified mail, a thirty-day notification of foreclosure or other proceeding. This notification must include the exact amount of funds to be remitted to the Lender to prevent foreclosure or other action. Lawsuits and other judicial proceedings will be handled by the City's Attorney's office or outside counsel, at the discretion of the City Attorney.

At the end of thirty days, the Lender or hired loan servicer will contact a reputable foreclosure service or local title company, procured in compliance with [24 CFR Part 85](#), to prepare and record documents and make all necessary notifications to the owner and other lenders. The service will advise the Lender of all required documentation to initiate foreclosure or other actions (Note and Deed of Trust usually) and funds required from the owner to cancel foreclosure or other proceedings. The service will keep the Lender informed of the progress of the foreclosure or other proceedings. When the process is completed, the Lender will recover funds by selling collateral at auction.

Following administrative or City Council approval, as appropriate, bad debts will be removed from the inventory or control records and any necessary reconveyance documentation will be prepared and filed. All documentation will be maintained by CDBG staff and copies will be provided to the Finance Department - Revenue Division for availability during audits.

City of Hayward Operated Programs

All CDBG Funded Programs may maintain program specific guidelines, so long as they are in agreement with these Community Development Block Grant Compliance Policies and all other applicable local, state, and federal laws and statutes. Program specific guidelines for City of Hayward operated programs, either by the Department of Library and Community Services or other Departments, are included by reference. Current program specific guidelines include:

1. [Housing Rehabilitation Program Guidelines and Thresholds](#)
2. [Small Business Revolving Loan Fund Program Guidelines](#)

APPENDIX

Suggested Areas for Study and Evaluation of Internal Accounting Controls.

The second standard of field work states: “There is to be a proper study and evaluation of existing internal control as a basis for reliance there on and for the determination of the resultant extent of the tests to which auditing procedures are to be restricted.”

The extent of internal control that an organization should establish is a judgment that must be made by management of the entity. That judgment is affected by circumstances, such as the size of the organization and the number of personnel available, and by conclusion about the relationship of costs and benefits.

This appendix presents an inventory of areas that could be the subject of internal accounting control procedures. Though the inventory is extensive, it is not represented as being all inclusive. Moreover, it is unlikely that procedures in all these areas would be desirable in a single situation.

Budgets and planning

Segregation of Duties

1. Segregation of responsibilities for budget preparation, adoption, execution, and reporting.

Procedural Controls

Preparation

2. Awareness of budgets and budgetary procedures required by law.
3. Preparation of budgets for all significant activities regardless of whether mandated by law.
4. Preparation of budget calendar to make orderly submission and approval of the budget.
5. Development and preparation of initial budget submission by major departments and activity centers.
6. Review of departmental budgets by the finance or budget officer and corrections by departments of oversights or integration of the executive’s goals and objectives.
7. Compatibility of the type of budgeting performed (traditional, program, performance) with the accounting system.
8. Preparation of the budget in sufficient detail (responsibility level) to provide a meaningful tool with which to monitor subsequent performance.
9. Budget of interfund and interdepartmental transfers, if appropriate.

Adoption

10. Budget hearings to obtain citizen input.
11. Submission of the budget to the legislative body for approval; clear communication to operating departments or agencies of the affects of legislatively mandated budget modifications, either increases or decreases.
12. Coincident with adoption of the budget, action of the legislative body as appropriate, to –
 - Adopt legislation to implement the raising of budgeted revenues
 - Initiate expenditure appropriations.
13. Recording in the accounting records of estimated revenues and appropriations for later comparison to actual amounts realized or incurred.
14. Recording in the accounting system of budgets that have been approved by grantors in connection with grant activity.
15. Publication of budgets if required by law.

Execution

16. Formal adoption and communication of procedures establishing authority and responsibility for transfers between budget categories.
17. Use of allotment system to control the flow of expenditures or commitments.
18. Approval as to availability of funds by accounting department before issuance of purchase order of expenditure commitment.
19. Processing and approval of requests for supplemental appropriations or budget changes the same way as the original budget is processed and approved (or as required by law)
20. Controls to ensure knowledge of outstanding commitments if liabilities and expenditures are recorded on an encumbrance or obligation basis.

Reporting

21. Comparisons of actual expenditures to budget with reasonable (monthly) frequency and on a timely basis.
22. Discussion of reports with departmental personnel and receiving explanations for significant variations from budget.
23. Timely notification of both the executive and legislative branches of expenditures in excess of appropriations or budget.
24. Publication of actual results of operations against the budget.

Cash

Segregation of Duties

1. Segregation of responsibilities for collection and deposit preparation functions from those for recording cash receipts and general ledger entries.
2. Segregation of responsibilities for cash receipts functions from those for cash disbursements.
3. Segregation of responsibilities for disbursement preparation and disbursement approval functions from those for recording or entering cash disbursements information on the general ledger.

4. Segregation of responsibilities for the disbursement approval function from those for the disbursement, voucher preparation, and purchasing functions.
5. Segregation of responsibilities for entries in the cash receipt and disbursement records from those for general ledger entries.
6. Segregation of responsibilities for preparing and approval bank account reconciliations from those for other cash receipt or disbursement functions.
7. If EDP is used, maintenance of the principle of segregation of duties within processing activities.

Procedural Controls

Collections

8. Timely deposit (preferably daily) of all receipts.
9. Controls over the collection, timely deposit, and recording of collections in the accounting records in each collection location.
10. Timely notice of cash receipts from separate collection locations to general accounting department.
11. Comparison of daily reported receipts on a test basis to bank statements to verify timeliness of deposits.
12. Placing a restrictive endorsement on incoming checks as soon as received.
13. Delivery of “not sufficient funds” checks to someone independent of processing and recording of cash receipts.
14. Procedures for follow-up of “not sufficient funds” checks.
15. Controls to ensure that checks are returned promptly for deposit if checks received are forwarded to be used as posting media to taxpayers’ or customers’ accounts.
16. Receipts controlled by cash register, pre-numbering receipts, or other equivalent means if payments are made in person (over the counter).
17. Accounting for such receipts and balancing them to collections daily.
18. Facilities for protection un-deposited cash receipts.

Disbursements

19. Control over warrant or check-signing machines as to signature plates and usage.
20. Procedures providing for immediate notification to banks when warrant of check signers leave the unit or are otherwise no longer authorized to sign.
21. Furnishing invoices and supported documents to the signer prior to signing the warrant or check.
22. Setting reasonable limits on amounts that can be paid by facsimile signatures.
23. Requiring two signatures on warrants or checks over a slated amount.
24. Maintaining signature plates in the custody of the person whose facsimile signature is on the plate when not in use.
25. Using plates only under the signer’s control and recording machine reading by the signer or appropriate designee to ascertain that all checks or warrants signed are properly accounted for by comparison to document control totals.
26. Direct delivery to the mail room of signed warrants or checks, making them inaccessible to persons who requested, prepared, or recorded them.

27. Prohibiting the drawing of warrants or checks to cash or bearer.

Custody

28. Maintenance of controls over the supply of unused and voided warrants or checks.
29. Proper authorization of bank accounts.
30. Periodically reviewing and formally reauthorizing depositories.
31. Controls and physical safeguards surrounding working (petty cash) funds.
32. Maintenance of adequate fidelity insurance.
33. Maintenance of separate bank accounts for each fund, or if not, adequate fund control over pooled cash.

Detail Accounting

34. Procedures ensuring that collections and disbursements are recorded accurately and promptly.
35. Procedures for authorizing and recording interbank and interfund transfers providing for proper accounting for those transactions.
36. General ledger control over all bank accounts.
37. Delivery of bank statements and paid warrants or checks in unopened envelopes directly to the employee preparing the reconciliation.
38. Procedures for steps essential to an effective reconciliation, particularly-
 - Comparison of warrants or checks in appropriate detail with disbursement records.
 - Examination of signature and endorsements, at least on a test basis.
 - Accounting for numerical sequence of warrants or checks used.
 - Comparison of deposit amounts and dates with cash receipt entries.
 - Footing of cash books.
39. Review and approval of all reconciliations and investigation of unusual reconciling items by and official who is not responsible for receipts and disbursements, including recording evidence of the review and approval by signing the reconciliation.
40. Periodic investigation of checks outstanding for a considerable time.

Investments

Segregation of Duties

1. Segregation of responsibilities for initiating, evaluating, and approving transactions from those for detail accounting, general ledger, and other related functions.
2. Segregation of responsibilities for initiating transactions from those for final approvals that commit government resources.
3. Segregation of responsibilities for monitoring investment market values and performance from those for investment acquisition,
4. Segregation of responsibilities for maintaining detail accounting records from those for general ledger entries.
5. Assignment of custodial responsibilities for securities or other documents evidencing ownership of other rights to an official who has no accounting duties.
6. If EDP is used, maintaining the principle of segregation of duties within processing activities.

Procedural Controls

Approval

7. If applicable, procedures adequate to ensure that only investments that are permitted by law are acquired.
8. Formal establishment and periodic review of investment policy guidelines.
9. Integration of the investment program with cash management program and expenditure requirements.
10. Established authority and responsibility for investment opportunity evaluation and purchase.
11. Periodic evaluation of the performance of the investment portfolio by persons independent of investment portfolio management activities.
12. Formal establishment of procedures governing the level and nature of approvals required to purchase or sell and investment.
13. Use of competitive bidding for certificate of deposit purchases.

Custody

14. Adequate physical safeguards and custodial procedures over –
 - Negotiable and non-negotiable securities owned.
 - Legal documents or agreements evidencing ownership or other rights.
15. Dual signatures or authorizations to obtain release of securities from safekeeping or to obtain access to the government unit's safe deposit box.
16. Authorization by the legislative body of persons with access to securities.
17. Registering all securities in the name of the government unit.
18. Periodic inspection of confirmation of securities from safekeeping agents.
19. Bonding of individuals with access to securities.

Detail Accounting

20. Maintenance of detail accounting records for investments.
21. Procedures to ensure that transactions arising from investments are properly processed, including income and amortization entries.
22. Controls to ensure that investment earnings are credited to the fund from which resources were provided for the investment.
23. A periodic comparison between income received and the amount specified by the terms of the security of publicly available investment information.
24. Controls to ensure that transactions are recorded on a timely basis.

General Ledger

25. Procedures for reconciling the detail accounting records with the general ledger control.
26. Periodic review of the nature of investments included in general ledger balances.

Revenues and Receivables

Segregation of Duties

1. Segregation of the responsibilities for billing property taxes and services from collection and accounting.
2. Segregation of the responsibilities for maintaining detail accounts receivable records from collections and general ledger posting.
3. Segregation of collection, control, and deposit of funds activities from maintain accounting records.
4. Maintenance of the property tax assessment rolls by individuals not engaged in any accounting or collection function.
5. Segregation of the responsibilities for entries in the cash receipts records from those for general ledger entries.
6. If EDP is used, maintenance of the principle of segregation of duties within processing activities.

Procedures Control

Data and File Maintenance

Property taxes

7. Controls to ensure that additions, deletions, transfers, and abatements are properly and timely reflected in property tax records.
8. Procedures to make property assessments in accordance with the law or legislative intent with prompt adjustment of records.

Sales, income, and other taxes

9. Cross-referencing returns filed against a data base of previous taxpayers.
10. Organization and integration of the records in such a fashion that probable taxpayers are identified as a result of reporting of other governmental activities such as licensing.

License fees and permits

11. If annual payments are involved, procedures to ensure that previous years' records are properly updated for new registrants and withdrawals.
12. Use of the updated records as the basis for billing persons subjected to payment.

Fines, forfeitures, and court fees

13. Maintaining and using court and other records of payments due as a basis for collections.
14. Procedures surrounding the control, issuance, and disposition of traffic violations to ensure that amounts due are assessed and collected.

Enterprise and other service revenues

15. Maintaining controls that provide assurances that customer data base and, where appropriate, usage records are accurately maintained to ensure that amounts due are billed.

Billing/Remittance Verification

Property taxes

16. Controls within the billing system to ensure that eligible property owners are billed.
17. Controls to ensure that tax assessments are being properly applied against tax rates and special charges are being considered in the preparation of billing amounts.
18. Controls to ensure that tax exemptions are within the law and properly approved.

Sales, income and other taxes

19. Reviewing returns for mathematical accuracy.
20. Correlation of current year's taxpayer's returns with prior year's returns and accounting for and reviewing differences.
21. Separate review and approval of claims for refunds.
22. Audits of returns filed to provide reasonable assurance that taxable income is properly reported.

License fees and permits

23. Comparison of current year receipts to those for prior years and review of explanations of variations by senior officials.

Fines, forfeitures, and court fees

24. Procedures providing for correlation of amounts collected with records of court proceedings.
25. Sequentially numbering and satisfactorily accounting for tickets for fines, arrests, and so forth.

Enterprise and other service revenues

26. If billing is based on usage, performing service readings in a timely fashion.
27. Periodic rotation of the assignments of meter readers.
28. Billing procedures providing for identification and investigation of unusual patterns of use.

.General

29. Billing of taxes and fees in a timely fashion.
30. Procedures designed for other revenue areas ensuring timely payment of amounts due.
31. Periodic review and approval by the legislative body of the rates of taxes, fines, fees, and services.
32. Periodic review and approval by the legislative body of programs of tax exemption or relief.
33. Authorization by the legislative body of utility rate schedules.
34. Procedures providing for timely notification of the accounting department at the time, tax, service, or other billings or claims are prepared and rendered.
35. Numerical or batch processing controls over tax, fee, service, or other billings.

36. Controls over the billing of miscellaneous revenues (for example, side walk replacement and tree removal assessments).
37. Procedures to prevent the interception or alteration by unauthorized persons of billing or statements after preparation but before they are mailed.
38. Prompt investigation of disputes with billing amounts that are reported by taxpayers or service recipients by an individual independent of receivables record keeping.
39. Controls providing reasonable assurances that restricted revenues are expended only for restricted purposes.

Collection

40. Placing a restrictive endorsement on incoming checks as soon as received.
41. Procedures providing reasonable assurances that interest and penalties are properly charged on delinquent taxes, fees, or charges for service.
42. Procedures providing for the timely filing of liens on property for non-payment in all cases permitted by law.
43. Controls surrounding the collection, timely deposit, and recording of collections in the accounting records at each collection location.
44. Timely notice of cash receipts from separate collection centers to general accounting department.
45. If payments are made in person, use of receipts for payment and accounting for and balancing of such receipts to collections.
46. Segregation and timely remittance of amounts collected on behalf of other governments.
47. Monitoring taxes and fees collected by another unit of government to assure timely receipt and subjecting amounts received to reviews for reasonableness.
48. Reviewing delinquent accounts and considering them for charge off on a timely basis.
49. Formally approved write offs or other reductions of receivables by senior officials not involved in the collection function.
50. Procedures providing for execution of all legal remedies to collect charge off of uncollectible accounts, including tax sale of property, liens, and so forth.

Account Receivables Record Keeping

51. Controls in the system that provide assurances that individual receivable records are posted only from authorized source documents.
52. Reconciling the aggregate collections on accounts receivable against postings to individual receivable accounts.
53. Where appropriate (for example, in proprietary funds), mailing statements of account balance on a timely basis.

General Ledger

54. Regular preparation of trial balances of individual receivable accounts.
55. Reconciliation of trial balances with general ledger control accounts and investigation of reconciling items by other than accounts receivable clerks.
56. Periodic review of aged accounts receivable balances by supervisory personnel.

57. Procedures providing for timely and direct notification of the accounting department of billings and collection activity.

Grant and Entitlement Monitoring

Grants.

58. Properly fixed responsibility for monitoring grant activities.
59. A central grant monitoring activity.
60. Procedures to monitor compliance with –
 - Financial reporting requirements.
 - Use of funds and other conditions in accordance with grant terms.
 - Timely billing of accounts due under grants.
61. Accounting for grant activity so that it can be separated from the accounting for locally funded activities.
62. System for obtaining grantor approval before incurring expenditures in excess of budgeting amounts or for unbudgeted expenditures.
63. Processing grant revenues and disbursements under the same degree of controls applicable to the organization's other transactions (budget, procurement, etc).
64. Including requirements in sub-grantee agreement conditions as well as grantee's standards.
65. Reasonable procedures and controls to provide assurances of compliance with recipient eligibility requirements established by grants.
66. Establishing an indirect plan by all grantor agencies.
67. Approval of the plan by all grantor agencies.
68. Establishing audit cognizance for rates generated by the plan.

Entitlements

69. Comparison of the amount of funds received with the amount anticipated by a reasonable official and investigation of unusual variances.
70. Procedures to ensure that funds received are spent in accordance with legal requirements and spending restrictions.
71. Review of any statistical or data reports that form the basis for revenue distribution by a responsible official before submission.

Capital assets

Segregation of Duties

1. Segregation of responsibilities for initiating, evaluating, and approving capital expenditures, leases, and maintenance or repair projects from those for project accounting, property records, and general ledger functions.
2. Segregation of responsibilities for initiating capital asset transactions from those for final approvals that commit government resources.
3. Segregation of responsibilities for the project accounting and property records functions from the general ledger function.

4. Segregation of responsibilities for the project accounting and property records function from the custodial function.
5. Assigning the responsibilities for the periodic physical inventories of capital assets to responsible officials who have no custodial or record keeping responsibilities.
6. If EDP is used, maintaining the principle of segregation of duties with processing activities.

Procedural Controls

Authorization

7. Identification of those individuals authorized to initiate capital asset transactions and clear definition of the limits of their authority.
8. Establish guidelines with respect to key considerations such as prices to be paid, acceptable vendors and terms, asset quality standards, and the provisions of grants or bonds that may finance the expenditures.
9. Preparation of a separate capital projects budget.

Executive or Legislative Approval

10. Requiring written executive or legislative approval for all significant capital asset projects or acquisitions.
11. Procedures for authorizing, approving, and documenting sales or other disposition of capital assets.
12. Procedures for approving decisions regarding financing alternatives and accounting principles, practices, and methods.
13. Procedures providing for obtaining grantor (federal/state) approval, if required, for the use of grant funds for capital asset acquisitions.
14. Subjecting grant-funded acquisitions to the same controls as internally funded acquisitions.
15. Requiring supplemental authorizations, including, if appropriate, those of grantor agency, for expenditures in excess of originally approved amounts.

Project Accounting

16. Engaging a qualified employee or independent firm to inspect and monitor technically complex projects.
17. Establishing and maintaining project cost records for capital expenditure and repair projects.
18. Reporting procedures for in-progress and completed projects.
19. Procedures to identify completed projects so that timely transfers to the appropriate accounts can be made.
20. Review of the accounting distribution to ensure proper allocation of charges to fixed asset and expenditure projects.
21. If construction work is performed by contractors, procedures to provide for and maintain control over construction projects and progress billings.
22. The unit of government having the right to audit contractor's records.
23. Exercising the right to audit contractor records during project performance.

24. Audits of contractor compliance with EEO, Davis Bacon, and other regulations and contract terms, in addition to costs.

Asset Accountability

25. Maintaining detail property records for all significant self-constructed, donated, purchased, or leased assets.
26. Establishing the accountability for each asset.
27. Procedures for periodic inventory of documents evidencing property rights (for example, deeds, leases, and the like).
28. Physical safeguards over assets.
29. Procedures ensuring that purchase materials and services for capital expenditure and repair projects are subjected to the same levels of controls as exist for all other procurements (for example, receiving, approval, checking).
30. Periodically comparing detail property records with existing assets.
31. Investigating differences between records and physical counts and adjusting the records to reflect shortages.
32. Procedures ensuring that capital assets are adequately insured.
33. Subjecting lease transactions to control procedures similar to those required for other capital expenditures.
34. Properly identifying equipment by metal numbered tags or other means of positive identification.
35. Carrying fully depreciated assets in the accounting records as a means of providing accounting control.
36. Procedures for monitoring the appropriate disposition of property acquired with grant funds.

General Ledger

37. Periodic reconciliation of the detail property records with the general ledger control accounts.
38. Procedures and policies to –
 - Distinguish between capital project fund expenditures and operating budget expenditures.
 - Identifying operating budget expenditures to be capitalized in fixed asset fund.
 - Distinguish between capital and operating leases.
 - Govern depreciation methods and practices.
39. If costs are expected to be charged against federal grants, depreciation policies or methods of computing allowances in accord with the standards outlined in OMB circulars or grantor agency regulations; if not, adjusting depreciation charged to grants accordingly.
40. The accounting records should be adjusted promptly—both the asset and related allowance for depreciation—when items of plant and equipment are retired, sold, or transferred.

Procurement and Payables

Segregation of Duties

1. Segregation of responsibilities for the requisition, purchasing, and receiving functions from the invoice processing, accounts payable, and general ledger functions.
2. Segregation of responsibilities for the purchasing function from the requisitioning and receiving functions.
3. Segregation of responsibilities for the invoice processing and accounts payable functions from the general ledger functions.
4. Segregation of responsibilities for the disbursement preparation and disbursement approval functions from those for recording cash disbursements and general ledger entries.
5. Segregation of responsibilities for the disbursement approval function from those for the disbursement preparation function.
6. Segregation of responsibilities for entries in the cash disbursement records from those for general ledger entries.
7. If EDP is used, maintaining the principle of segregation of duties within processing activities.

Procedural Control

Requisitioning

8. Initiation of purchases of goods and services by properly authorized requisitions bearing the approval of officials designated to authorize requisitions.
9. Using and accounting for pre-numbered requisitions.
10. Indicating and appropriation to be charged on the purchase requisition by the person requesting the purchase.
11. Before commitment, verification by the accounting or budget department that there are sufficient unobligated funds remaining under the appropriation to meet the proposed expenditure.
12. Having technical specifications accompanying requests for special purpose (non-shelf items) materials or personal services.
13. Structuring purchasing authorizations to give appropriate recognition to the nature and size of purchases and the experience of purchasing personnel.
14. Purchase order and contract issuance and approval procedures.
15. Periodic review of purchase prices by a responsible employee independent of the purchasing department.
16. Use of competitive bidding procedures.
17. If practicable, rotation on a regular basis of contract or purchasing officer's areas of responsibility.
18. Provisions in contracts for materials, services, or facilities acquired on other than a fixed price basis that provide for an audit of contractors' costs, with payments subject to audit results.
19. Procedures for public advertisement of non-shelf item procurements in accordance with legal requirements.

20. Periodic review of recurring purchases and documentation of the justification for informal rather than competitive bids.
21. Establishing, documenting, and distributing policies regarding conflicts of interest and business practice policies.
22. Issuing purchase orders and contracts under numerical of some other suitable control.
23. Obtaining and adequate number of price quotations before placing orders not subject to competitive bidding.
24. Prohibiting splitting orders to avoid higher levels of approval.
25. Maintenance of price lists and other appropriate records of price quotations by the purchasing department.
26. Maintenance of a record of suppliers who have not met quality or other performance standards by the purchasing department.
27. Modification of procedures when funds disbursed under grant or loan agreements and related regulations impose requirements that differ from the organization's normal policies.
28. Institution of procedures to identify, before order entry, costs and expenditures not allowable under grant (federal/state) programs.
29. Maintenance of an adequate record of open purchase orders and agreements.
30. Prohibiting or adequately controlling purchases made for the accommodation of employees.
31. Considering bid and performance bonds if construction contracts are to be awarded.
32. Pre-determining selection criteria for awarding personal service or construction contracts and requiring adequate documentation of the award process.
33. Subjecting changes or purchase orders to the same controls and approvals as the original agreement.

Receiving

34. Preparation of receiving reports for all purchased goods.
35. Procedures for the filing of claims against carriers or vendors for shortages or damaged materials.
36. Taking steps to ensure that goods received are accurately counted and examined to see that they meet quality standards.
37. Maintaining a permanent record of material received by the receiving department.
38. Numerically accounting for or otherwise controlling receiving reports to ensure that all receipts are reported to the accounting department.
39. Sending copies of receiving reports directly to purchasing, accounting, and if appropriate, inventory record keeping.
40. With respect to procurement for special purpose materials, services, or facilities, assigning a governmental technical representative to monitor and evaluate contractor performance and approve receipt of services.
41. If a receiving department is not used, adequate procedures to ensure that goods for which payment is made have been received; verification by someone other than the individual approving payment that goods have been received and meet quality standards.

Invoice Processing

42. Invoice processing procedures providing for –
 - Obtaining directly from issuing departments of copies of purchase orders and receiving reports.
 - Comparison of invoice quantities, prices, and terms with those indicated on purchase order.
 - Comparison of invoice quantities with those indicated on receiving reports.
 - As appropriate, checking accuracy of calculations.
43. Receiving all invoices from vendors in central location, such as the account department.
44. Procedures ensuring that the accounts payable system is properly accounting for unmatched receiving reports and invoices.
45. Relating requests for progress payments under long-term contracts to contractors' efforts and formally approving them.
46. Procedures for processing invoices not involving materials or supplies (for example, lease or rental payments, utility bills).
47. Procedures ensuring accurate account distribution of all entries resulting from invoice processing.
48. If applicable, limiting access to EDP master vendor file to employees authorized to make changes.
49. Maintenance by the accounting department of a current list of those authorized to approve expenditures.
50. Procedures for submission and approval of reimbursement to employees for travel and other expenses.
51. Establishment of control by accounting department over invoices received before releasing them for departmental approval and other processing.
52. Review of the distribution of charges in the accounting department by a person competent to pass on the propriety of the distribution.
53. Review and approval of invoices (vouchers) for completeness of supporting documents and required clerical checking by a senior employee.
54. If an invoice is received from a supplier not previously dealt with, taking steps to ascertain that the supplier actually exists.
55. Making payments only on the basis of original invoices.
56. Fixing responsibility for seeing that all cash discounts are taken and, if applicable, that exemption from sales, federal excise, and other taxes are claimed.
57. Referring differences in invoice and purchase order price, terms, shipping arrangements, or quantities to purchasing for review and approval.
58. Recording and following up partial deliveries by the accounting department.
59. Promptly notifying the accounting and purchasing departments of returned purchases, and correlating such purchases with vendor credit advices.
60. Reviewing the program and expenditure account to be charged for propriety and budget conformity.
61. Having check signers or other responsible officials determine that restricted revenues are expended only for restricted purposes.

62. If applicable, procedures to ensure adjustment of the reserve for encumbrances (obligations) when invoices are prepared for payment.

Disbursements

63. Disbursement approval and warrant or check signing procedures.
64. Control over warrant or check signing machines as to signature plates or usage.
65. Procedures to notify banks when a new signer is authorized or a previous signer leaves the employ of the government.
66. Furnishing and having the signer review invoices and supporting data before signing the warrant or check.
67. Setting reasonable limits on amounts that can be paid by facsimile signatures.
68. Requiring two signatures on all warrants of checks over a stated amount.
69. Maintaining signature plates in the custody of the person whose facsimile signature is on the plate when not in use.
70. Using plates only under the signer's control and having that person on an appropriate designee record machine reading to ascertain that all checks or warrants signed are properly accounted for.
71. Cancellation of invoices and supporting documents by or in the presence of the signer at time of signing.
72. Delivery of signed warrants or checks directly to the mail room, making them inaccessible to persons who requested, prepared, or recorded them.
73. Cross-reference warrants or checks to vouchers.
74. Control of and accounting for warrants or checks with safeguards over those unused and voided.
75. Prohibiting the drawing of warrants or checks to cash or bearer.
76. Procedures ensuring that warrants or checks that have been signed and issued are recorded promptly.

Accounts Payable Encumbrances or Obligations

77. Regular comparison of statements from vendors with recorded amounts payable.
78. If an encumbrance (obligation) system is used, monthly reconciliation of outstanding purchase orders to the reserve for encumbrances (obligations).
79. Recording encumbrance (obligation) entries based only on approved purchase orders.
80. Procedures ensuring that accounts payable and encumbrances (obligations) are applied against the appropriate account.
81. Procedures ensuring that department heads are notified of payments made against accounts payable and encumbrances (obligations).

General Ledger

82. Regular preparation of trial balances of reserve for encumbrances (obligations) and accounts payable.
83. Checking the footing and testing the trial balances to the individual items as well as comparing the total to the general ledger balance by an employee other than the accounts payable clerk.
84. Posting transactions between funds in all affected funds in the same accounting period and on a timely basis.

Grant and Entitlement Monitoring

85. Disbursing grants only on the basis of approved applications.
86. Defining (for example, in regulations) and communicating to grantees their reporting and compliance requirements.
87. Procedures to monitor grantee compliance with grant terms.
88. Subjecting financial operations of grantees to periodic a timely audit.
89. Sufficiently timely monitoring of recipients to permit curtailment of any abuse before complete funds disbursement.
90. Disbursing funds to grantees only on an as-needed basis.
91. A level of grant approval authority that spears appropriate.
92. Investigation of failure by grantees to meet financial reporting requirements on a timely basis.
93. Requiring grantees to evidence correction previously detected deficiencies before approval of an extension or renewal of a grant.
94. Entitlement procedures ensuring that statistics or data used to allocate funds are accurately accumulated (for example, census bureau forms).
95. Requiring statements of recipient compliance with entitlement conditions (for example, statement of assurances) to be filed and having responsible official review them.
96. Review of audited financial statements or other compliance requirements of entitlement recipients on a timely basis and investigation of unusual items.

Employee Compensation

Segregation of Duties

1. Segregation of responsibilities for supervision and time-keeping functions from personnel, payroll processing, disbursement, and general ledger functions.
2. Segregation of responsibilities for the payroll processing function from the general ledger function.
3. Supervision of payroll distribution by employees –
 - Who are not responsible for hiring or firing employees.
 - Who do not approve time reports.
 - Who take no part in payroll preparation.
4. Segregation of responsibilities for initiating payments under employee benefit plans from accounting and general ledger functions.
5. Reconciliation of the payroll bank account regularly by employees independent of all other payroll transaction processing activities.

6. If EDP is used, maintaining the principle of segregation of duties in processing activities.

Procedural Controls

Personnel

7. Properly authorizing, approving, and documenting all changes in employment (additions and terminations), salary and wage rates, and payroll deductions.
8. Promptly reporting notices of additions, separations, and changes in salaries, wages, and deductions to the payroll-processing function.
9. Maintaining appropriate payroll records for accumulated employee benefits (vacation, pension data, etc.).
10. Interviewing terminating employees as a check on departure and as a final review of any termination settlement by the personnel department.
11. Written personnel policies.
12. Establishing controls to ensure that payroll costs charged to grants are in compliance with grant agreements.
13. Payroll and personnel policies governing compensation that are in accordance with the requirements of grant agreements.
14. Determining that wages are at or above the federal minimum wage.

Supervision/Timekeeping

15. Review and approval of hours worked, overtime hours, and other special benefits by the employee's supervisor.
16. Timekeeping and attendance records and procedures.
17. Review for completeness and approval of time cards or other time reports by the employees' supervisor.
18. Punching of time cards, if used, only by the employees to whom they are issued.
19. Placing the time clock in a position where it can be observed by a supervisor.
20. Procedures for authorizing, approving, and recording vacations, holidays, and sick leave and approving and controlling compensatory time.

Payroll Processing

21. Controls over payroll preparation.
22. Approval and documentation of changes to the EDP master payroll file.
23. Limiting access to the EDP master payroll file to employees who are authorized to make changes.
24. Review and approval of completed payroll registers before disbursements are made.
25. Review of documents supporting employee benefit payments (such as accumulated vacation or sick leave) before disbursements are made.
26. Review for reasonableness of comparisons (reconciliations) of gross pay of current to prior period payrolls by a knowledgeable person not otherwise involved in payroll processing.
27. Review of payroll (examination of authorizations for changes noted on reconciliations) by an employee not involved in its preparation.

28. Balancing the distribution of dollars and hours of gross pay with payroll registers, and review by someone independent but knowledgeable of this area.
29. Including in the review a comparison to amount appropriated and budgeted.
30. Prohibiting payroll advances to officials and employees or subjecting them to appropriate view.

Disbursement

31. Keeping the signature plates and use of the payroll check signing machines under control of the official whose name appears on the signature plate or an employee to who he has delegated that responsibility.
32. Maintaining a log that reconciles the counter on the check signing machine with the number of checks issued in each payroll.
33. Maintaining a separate, imprest-basis, payroll bank account.
34. Regularly reconciling the payroll bank account.
35. Comparing payroll check endorsements, on a test basis, with signatures on file by someone independent of the payroll department.
36. If payment is made in cash, requiring signed receipts; having someone independent of the payroll department compare them, on a test basis, with signatures on file.
37. Controlling the supply of unused payroll checks.
38. Requiring employees to provide identification before given checks or pay envelopes.
39. Prohibiting employees from accepting another employee's pay.
40. Returning unclaimed wages to a custodian independent of payroll department.
41. Having employees who distributed checks or pay envelopes make a report of unclaimed wages directly to the accounting department
42. Making payments of unclaimed wages at a later date only upon presentation of appropriate evidence of employment and approval by an officer or employee who is not responsible for payroll preparation or time reporting.
43. Compare W-2 forms to payroll records and mailing by employees not otherwise involved in the payroll process.
44. Procedures for investigating returned W-2's.
45. Periodic distribution of payroll checks by the internal auditors to ascertain that employees exist for all checks prepared.

General Ledger

46. Adequate account coding procedures for classification of employee compensation and benefit cost so that such costs are recorded in the proper general ledger account.
47. Proper recording or disclosure of accrued liabilities for unpaid employee compensation and benefit costs.

Electronic Data Processing

Segregation of Duties

1. Independence of the EDP department from the accounting and operating departments for which it processes data.

2. Appropriate segregation of duties within the data processing function for (a) systems development (design and programming), (b) operations.
3. In smaller and minicomputer installations with limited opportunities for segregation of duties, procedures for user departments to –
 - Utilize batch or other input controls.
 - Control master files changes.
 - Balance master files between processing cycles.
4. Having the personnel policies of the EDP function include such procedures as reference checks, security statements, rotation of duties, and terminated employee security measures that enhance segregation of duties and otherwise improve controls.

Procedural Controls

User Controls

5. Controls over preparation and approval of input transactions outside the EDP department and prohibiting the department from initiating transactions.
6. Having user exercise control procedures over input to ensure that all approved input is processed correctly through the system and only once.
7. Having controls over entry of data in on-line systems to restrict access to terminals and data entry to authorized employees.
8. On-line systems controls that prevent documents from being keyed into the system more than once and that permit tracing from computer output to data source and vice versa.
9. Controls over changes to master files, such as requiring preparation of specific forms indicating data to be changed, approval by a supervisor in the user department, and verifying against a printout of changes.
10. User controls over rejected transactions through the use of a computerized suspense file of rejected transactions or an auxiliary manual system.
11. User department management reconciliation of output totals to input totals for all data submitted, reconciliation of the overall file balances, and review of outputs for reasonableness.
12. Procedures within the data processing control functions that provide that data is properly controlled between the user and EDP department.
13. Controls over data entry, for example, that include adequate supervision, up-to-date instructions, key verification of important fields, and self-checking digits.
14. Program controls over entry of data into on-line systems.
15. Editing and validation of input data.
16. Data processing controls over rejected transactions.
17. Controls for balancing transaction and master files.
18. Procedures within data processing control function concerning review and distribution of output.

General Controls

19. Controls over changes to system software.
20. Controls over use and retention of tape and disk files, including provisions for retention of adequate records to provide back-up capabilities.

21. Controls that limit access to data processing equipment, tapes, disks, system documentation, and application program documentation to authorized employees.
22. Use of a job accounting system (or console logs) to ensure that scheduled programs are processed and proper procedures followed and that supervisory personnel know that only required programs have been processed.
23. Supervision of EDP department employees for all shifts.
24. Documentation of procedures to be followed by computer operators.
25. Documentation of the data processing system such that the organization could continue to operate if important data processing employees leave.
26. Procedures to protect against a loss of important files, programs, or equipment.
27. Insurance to cover equipment, programs, and data files.
28. User approved written specifications for new systems and modifications to existing systems.
29. Procedures to test and implement new systems and modifications to existing application systems.

Financial Reporting

Segregation of Duties

1. Segregation of the final review and approval of financial reports from the responsibility for preparation of the reports.
2. Segregation of the responsibilities for maintaining the general ledger for those for maintaining subsidiary ledgers.
3. Segregation of the responsibilities for maintaining the general ledger and custody of assets.
4. Segregation of the preparation and approval functions for journal entries.
5. Segregation of principle accounting, treasury, and custody functions.
6. If EDP is used, maintaining the principle of segregation of duties within processing activities.

General Ledger

7. A formal plan of organization for the unit of government under which reporting responsibilities are clearly defined and reasonably aligned.
8. Supervision of a principal accounting officer over accounting records and accounting employees at all locations.
9. General ledger control over all assets and transactions of all departments of the organization.
10. Bonding employees in positions of trust in amounts required by statutes of organization policy.
11. Written accounting, policy, and procedural manuals that are distributed to appropriate personnel.
12. Updating the accounting, policy, and procedural manuals as necessary.
13. Procedures to ensure that only authorized persons can alter or establish a new accounting principle, policy, or procedure to be used by the organization.
14. Security for accounting records.
15. A formal policy regarding conflicts of interest.
16. Requiring written representations from appropriate personnel as to compliance with accounting policies and procedures and ethics policies.
17. Prohibiting or closely controlling loans to officials or employees.

18. Periodically evaluating the adequacy and effectiveness of the internal accounting controls relating to the organization's transaction systems (procurement, revenues and receivables, etc.).
19. Implementing measures to correct weakness.

Closing

20. Procedures and policies for closing the accounts for a reporting period sufficient to ensure that accounts are closed, adjusted, and reviewed on a timely basis.
21. Procedures to ensure that all accounting systems have included all transactions applicable to the reporting period.
22. Review and approval of valuation reserves or other account balances based on estimates.
23. Having all journal entries reviewed, approved, and supported by adequate descriptions or documentation.
24. Controls that ensure that only authorized individuals can initiate entries.

Combining

25. Procedures to ensure the orderly and effective accumulation of financial data.
26. Procedures for orderly processing of financial data received from departments and other accounting units.
27. Procedures to permit the recording and review of special entries generated in the combining process.

Preparation, Review, and Approval.

28. Procedures to ensure that financial reports are supported by either underlying account records or other documentation.
29. Procedures providing reasonable assurances that all data required to be included in legal as well as public reports are properly disclosed.
30. Procedures to ensure that financial reports are prepared on a consistent basis.
31. Review and approval of financial reports at appropriate levels of management and , if appropriate, the legislature before public release.
32. Procedures to ensure that all requirements for filing of financial reports are met (for example, senior levels of government, bondholders, and public.).