



CDBG Implementation Manual 2025

Chapter 1 Contents

| | |
|---|----|
| Chapter 1: Project Administration..... | 2 |
| Overview | 2 |
| 1.1 Grant Administration | 2 |
| 1.1.1 Monitoring..... | 3 |
| 1.2 Grant Agreement | 4 |
| 1.2.1 Amendments..... | 6 |
| 1.3 Project Files and CDBG Accounting..... | 7 |
| 1.3.1 Application Checklist..... | 8 |
| 1.3.2 Financial Management “CDBG Accounting” Checklist | 8 |
| 1.3.3 Federal Requirements Checklist | 9 |
| 1.4 Authority to Use Grant Funds | 9 |
| 1.5 Grantee Accounting and Financial Management..... | 10 |
| 1.6 CDBG Financial Operations | 11 |
| 1.7 Submit a Request for Payment | 13 |
| 1.7.1 Cash Match and Leveraging | 14 |
| 1.7.2 Final Pay Request | 15 |
| 1.8 Federal Requirements | 15 |
| 1.8.1 CDBG Federal Requirements and Resolution to Adopt CDBG Requirements (Exhibits 1-Z and 1-Y)..... | 15 |
| 1.9 Grantee/Contractor/Subcontractor Clearance | 17 |
| 1.9.1 Exhibit 1-X Contractor/Subcontractor Clearance Form | 17 |
| 1.9.2 Exhibit 1-E Contract-Subcontract Activity Report | 18 |
| 1.10 HUD Applicant/Recipient Disclosure/Update Report | 18 |

Chapter 1: Project Administration

Overview

The purpose of this manual is to guide Grantees to implement compliant and successful projects. This manual is an important resource, but also a working document that is subject to change. The current version can be found here: <https://www.nmdfa.state.nm.us/infrastructure-planning-and-development-division/cdbg-implementation-manual/>. For any seeming contradictions in the manual, DFA's interpretation will prevail. The Grantee and members of the Grantee's team should read the manual thoroughly prior to project implementation.

Project administration is essential to the successful management and completion of New Mexico Community Development Block Grant Program (CDBG) projects. This chapter is designed to be used by the Grantee and covers the administrative requirements needed for compliance with the program.

According to 24 CFR 570.480 (f), the State may impose more restrictive requirements than the requirements governing the State CDBG Program. *"In administering the CDBG program, a state may impose additional or more restrictive provisions on units of general local government participating in the state's program, provided that such provisions are not inconsistent with the Act or other statutory or regulatory provisions that are applicable to the State CDBG program."* HUD holds the State and the Grantee accountable for the guidelines imposed in the manual. For any questions regarding interpretation of the manual, the Grantee should check with their assigned DFA Project Manager.

This manual is not meant to take the place of regular communication with the assigned DFA Project Manager. The Grantee is required to request approvals prior to administrative and procurement actions throughout the project from DFA. Regular and ongoing communication with DFA will facilitate the Grantee's awareness of when approvals should be requested, as well as guidance on next steps. To this end, DFA will reach out to set up an initial meeting soon after the award.

Project administration begins with project file setup, financial readiness, as well as compliance with federal requirements, such as Equal Employment Opportunity, Fair Housing, Citizen Participation, Residential Anti-Displacement and Relocation Assistance, Workforce Analysis, Section 3, and Contractor/Subcontractor Clearance.

The CDBG Implementation Manual and current forms are available at our website: <https://www.nmdfa.state.nm.us/infrastructure-planning-and-development-division/cdbg-implementation-manual/>

1.1 Grant Administration

Starting in 2025, Grantees are required to contract professional administrative services. Administrative services may be contracted without competitive procurement only from the respective Council of Government (COG) but still must use the CDBG approved contract template (Exhibit 3-B) for the agreement. If the Grantee issues a request for proposals (RFP) for administrative services, the Grantee must use the CDBG approved RFP template (**Exhibit 3-A**) and

the CDBG approved contract template (**Exhibit 3-B**) for the contract of those administrative services*. Doing so ensures compliance with State and Federal regulations and program requirements. **If the Grantee is procuring for Administrative Services together with other Professional Services, the RFP template (**Exhibit 3-C**) and the contract template (**Exhibit 3-D or 3-E**) may be used.* (See Chapter 3: Professional Services for guidance on DFA requirements for selecting vendors on a CDBG project.)

CDBG administration can vary from 2-3 hours per week or up to 20 hours per week depending on the project phase. If a Grantee's administrator is unable to manage this workload the result may be a compromised project. Successful administrators are responsive to deadlines and work proactively to advance the project by communicating regularly with their DFA Project Manager. By making continuous progress on the project, the Grantee can avoid the increase of costs resulting from delays.

Accountability for project compliance falls on the Grantee. For this reason, the Grantee must set up a system for file management with the selected administrator which will provide access to all parties. The system must also be resilient in cases of turnover, IT failures, or other potential lapses. The Grantee is ultimately responsible for the files and DFA may require them at any time during the project.

1.1.1 Monitoring

DFA monitors projects on behalf of HUD, which may provide the opportunity to correct compliance issues. DFA monitoring reduces the likelihood that HUD will request grant funds being paid back to the federal government. The DFA Project Manager will conduct monitoring of the project annually and at closeout. The purpose of monitoring is to maintain compliance. Compliance is necessary to reduce risks for DFA and the Grantee should the project be audited. The Grantee should make every effort to cooperate fully with the monitoring, providing requested documents within the deadlines specified by DFA.

Notification from DFA precedes the annual monitoring. DFA may request the Grantee to send all the project files to be monitored electronically, or may make a site visit to do the monitoring. In either case, DFA will confirm whether the Grantee has electronic files organized in the required manner. Following the monitoring, DFA sends the Grantee a report, which outlines any deficiencies found, and may include a list of missing documents. The DFA Project Manager will then schedule a meeting with the Grantee's team to go over the results of the monitoring. DFA will give the Grantee a deadline to provide missing documents and rectify any deficiencies. If documents are not submitted by the deadline, or by project closeout, any relevant concerns or findings will be assigned at that time.

Concerns and findings may be assigned at any other time during the project if DFA deems a matter requires an immediate response. For more information on what deficiencies may constitute a concern or finding, the Grantee can find additional information in other chapters of the manual or seek guidance from their DFA Project Manager. Concerns and findings may adversely affect the Grantee's scoring during application review in the subsequent year. They also may affect the Grantee's future audits. Depending on the nature and number of concerns and/or findings, Grantees may be deemed "high risk" using Uniform Funding Criteria which may result in, but is not

limited to, repayment of funds received to date, reversion of any unspent funds and/or disqualification of eligibility to apply for future funding until the Grantee has addressed all concerns and findings to the satisfaction of DFA.

DFA may also make site visits outside of regular monitoring for any administrative needs identified on the project. Site visits will be scheduled in advance with the Grantee, to the extent possible. However, DFA reserves the right to make unannounced site visits, if it deems necessary.

1.2 Grant Agreement

Upon receiving the CDBG award letter from DFA, a Grantee should provide the DFA Project Manager with Project Description (**Exhibit 1-A**), Project Schedule (**Exhibit 1-B**), and Project Cost/Financing Summary (**Exhibit 1-C**). The Project Manager will review these items for consistency with the CDBG application and feasibility. When a Project Manager and Grantee reach agreement on the documents, DFA will issue the Grant Agreement by email. The Grantee's authoritative local official must sign, scan and return to DFA. DFA's signature results in an executed Grant Agreement. DFA will send this electronically to the Grantee. The following section explains critical information in the Grant Agreement.

CDBG Project Number

The Project Number is the identifying number for the Grantee's CDBG project and will be used on all correspondence, pay requests, and reports.

Duration of the Grant Agreement

Starting with projects funded in 2025, the standard duration of the Grant Agreement will be three (3) years after the date of execution by DFA for agreements unless otherwise stated in the Grant Agreement. Grant Agreements for prior CDBG years will expire two (2) years after date of execution by DFA, as stated in the Grant Agreement.

Amendments to Grant Agreements will be approved on a case-by-case basis, and must be requested on Grantee letterhead in writing with a detailed justification for modification. The revised attachment should accompany the request (**Exhibit 1-A, 1-B, or 1-C**). See Section 1.2.1 below.

Dollar Amount of the Grant Award

This is the maximum grant amount the Grantee will receive from DFA for the project unless the Grant Agreement is amended to add supplemental funding. This maximum dollar amount is reimbursable contingent upon completion of, and compliance with, all stated requirements in the Grant Agreement and submission of the Grantee's pay requests as outlined in Section 1.7.

Official Grantee Representative

The Grantee Representative is designated by the Grantee and is responsible and accountable for all compliance of the approved project. The name and contact information of this designee is listed in the Grant Agreement.

Signature Page

The signature page is where the Grant Agreement is signed by the Grantee and DFA. The Grant Agreement is officially executed on the date of DFA's final signature. This triggers the clock on the term of the Grant Agreement (see Duration of the Grant Agreement above).

Project Description (Exhibit 1-A)

The Project Description (**Exhibit 1-A**) of the Grant Agreement lists the Grantee name, project number, grant amount, description of approved scope of project work, national objective (total beneficiaries of the project and percentage that are low and moderate income (LMI), and cash match and leveraging amount.

The Project Description should be consistent with the information presented in the Grant Application. It contains technical, but brief information about what will be accomplished by the project. Once the Grant Agreement has been executed, the Grantee is responsible for completing the project as awarded unless amended by DFA.

Project Schedule (Exhibit 1-B)

The "Project Schedule" (**Exhibit 1-B**) will be used to monitor the progress of the project. The template for **Exhibit 1-B** must be used for the schedule. The goals established in the Project Schedule are used as milestones in the Progress Reports to assess projected versus actual progress. The Grantee must work with their DFA Project Manager to ensure realistic milestones.

Requests for Grant Agreement amendments (see Section 1.2.1) as they pertain to the Project Schedule will be evaluated on a case-by-case basis. Grantees must not allow their CDBG project to expire uncompleted, with the assumption that an amendment shall be granted. To ensure sufficient time to receive an amendment, the Grantee should request an extension two to three months prior to the date of expiration.

Project Cost/Financing Summary (Exhibit 1-C)

The Project Cost/Financing Summary (**Exhibit 1-C**), also known as the project budget, lists the CDBG funds, cash match, and leveraging funds that will finance the project. The dollar amounts are allocated to specific project cost activities, including administration (contractual), architect/engineer, other professional, inspection (testing), and construction. DFA recommends that funds be distributed proportionately throughout cost activities to encourage proportionate spending. This allows the Grantee to utilize CDBG funds in a timely manner, keeping the Grantee off the HUD Slow Spender List. The approved budget must always match the budget information on the Request for Payment (**Exhibit 1-M**). Changes to the approved budget must be requested in writing and an amendment approved and executed by DFA.

Progress and Final Reports (Exhibits 1-D, 1-D-1)

Progress Reports (**Exhibit 1-D**) are due quarterly no later than twenty (20) days after the end of each quarter during the term of the Grant Agreement. The Progress Report Form is designed to help keep

the project on schedule, identify achievements/milestones and address issues/delays before they become problematic.

| <u>Timeframe</u> | <u>Due Date</u> |
|--------------------|-------------------------------|
| January – March | Due: April 20 th |
| April – June | Due: July 20 th |
| July – September | Due: October 20 th |
| October – December | Due: January 20 th |

Progress reports are important, since DFA must evaluate progress throughout the life of the grant and update the HUD National Database (IDIS) accordingly. Even if no progress has been made, a progress report is still due quarterly in accordance with the Grant Agreement. Progress reports are used by DFA when considering amendments, supplemental funding applications, or for reversion in case of non-compliance or delay in implementation. DFA understands that every project has unique circumstances. The progress report is the best means for the Grantee to document those circumstances for future reference.

The Final Report (**Exhibit 1-D-1**) is due no later than twenty (20) days after termination or expiration of the Grant Agreement.

1.2.1 Amendments

The Grant Agreement outlines the terms and deliverables DFA expects from the project at the time of its execution. If the Grantee foresees an issue with the terms and deliverables which may result in the project not being completed as planned, the Grantee may request an amendment to the **Exhibit 1-A, 1-B or 1-C**.

DFA anticipates that with the three-year Grant Agreement, there will be fewer requests to extend projects. However, in case of necessity, the Grantee may request an extension. Likewise, the Grantee may have a need to adjust amounts on the budget (**Exhibit 1-C**) either to add leveraging, or to adjust amounts to specific line items.

Delivery of the complete scope (**Exhibit 1-A**) is required in the Grant Agreement signed between the Grantee and DFA. Each project must be completed with a stand-alone benefit for the beneficiaries identified in the application for DFA to draw down CDBG funds and report project results. An incomplete scope – if no stand-alone benefit results – can result in the Grantee needing to return funds already reimbursed.

If there is a circumstance preventing the Grantee from completing the scope as planned, the Grantee should reach out to their DFA Project Manager. After discussing the situation with DFA, the Grantee may request an amendment. However, it is not always feasible to reduce the scope or rescope in such a way that will still ensure a stand-alone benefit which impacts the beneficiaries confirmed at time of application. If it cannot be rescope, DFA may need to revert the project, and require the Grantee to return any previously reimbursed expenses. If a change in scope is possible and DFA approves, the change may affect the number of beneficiaries on the project, or trigger the need for a new environmental review, in which case the Grantee may be responsible for a new LMI review/survey, or environmental review. Therefore, the Grantee should plan carefully, avoid delay,

and complete the project scope as planned in a timely manner. Most requests to change scope stem from increasing costs, so the Grantee's best strategy is to avoid delay in the implementation of the project.

For a budget amendment request, full explanation of each line item and column to be changed in the proposed budget must be provided in writing to facilitate DFA's preparation of the narrative document showing that \$X amount is moved from X line item to Y, etc. For a scope change, tracked changes or other similar documentation should show what edits have been made to the original scope. For time extension requests, the Grantee must include information on the reasons for the delay, and how the project will meet the new timeline going forward. The Grantee should attach to the letter the revised exhibit (i.e. **Exhibit 1-A**, **Exhibit 1-B**, or **Exhibit 1-C**). The Grantee then submits the request to the assigned DFA Project Manager for consideration. If DFA needs a meeting to consider the request, the DFA Project Manager will request it. DFA may also require the Grantee to conduct a public hearing if the change requested is deemed substantial. (See Section 1.8).

All approved amendments will be signed by DFA senior management, including the IPDD Division Director, Legal, the DFA CFO, and the Secretary's office. To ensure due diligence, DFA may request meeting(s) with the Grantee to discuss the request, and/or may request changes to the request or letter. DFA will consider each request on a case-by-case basis, considering the unique nature of circumstances on that project and the progress to date. The Grantee should not assume approval. Moreover, DFA may withhold pending procurement approvals if an amendment has not yet been executed. Therefore, the Grantee should seek guidance from their DFA Project Manager and make any amendment request needed in a timely manner.

For **all amendment requests**, the Grantee should submit a letter explaining fully the nature of the request and the circumstances necessitating it, and how the requested amendment will ensure a timely and compliant completion of the project. The letter should be addressed to the DFA Secretary, but sent with all required attachments (see above) to the DFA Project Manager assigned for initial review.

If granted, DFA will issue the Grantee an amendment consisting of a narrative section and the revised exhibit. This document must be signed by the Grantee and then returned to DFA for final signatures (execution). A valid executed amendment must contain all pages issued (narrative, Grantee letter, and the new exhibit or exhibits). Once executed, the amendment should be placed in the Grantee's file in the "Grant Agreement" section.

1.3 Project Files and CDBG Accounting

The Grantee files should be set up according to the Checklists provided on the website <https://www.nmdfa.state.nm.us/infrastructure-planning-and-development-division/cdbg-implementation-manual/> and followed throughout the project. The checklists provide comprehensive lists of all documentation needed on the project. The Grantee can avoid inadvertently missing any important steps, approvals, and documentation by following the checklists. The Grantee should take the checklist for each applicable chapter and check off each item as it is completed, placing the appropriate documentation in the order of the checklist. If the Grantee has questions about the nature of items on the checklist, or how to prepare the documents, the DFA Project Manager can assist.

The items on the checklist are numbered so electronic filing can be set up to correspond to the numbers. Digital files must be kept with a separate folder corresponding to each checklist. This will facilitate monitoring reviews by DFA Project Managers. DFA may request the files at any time during the project and the Grantee must be able to provide them electronically.

Properly organized files from the beginning of a project will facilitate successful completion and compliance. Being organized also prevents loss of important records. DFA recommends that Grantees begin to organize their files during the application period. By the time of Grant Agreement execution, the Grantee should have established a system of filing with their selected administrator. Establishing mirror files is the best practice to avoid lapses due to human error, turnover or absence. The Grantee is ultimately responsible for the files and DFA may require them at any time during the project.

What follows in the following sections of Chapter 1 are the initial activities the Grantee should undertake in the first eight weeks of the project.

1.3.1 Application Checklist

This information can be gathered from the application submitted for this project. Documentation contained in this section is important for HUD auditing purposes. The Grantee will still need to contact the assigned DFA Project Manager for any approvals of project documents submitted with the application. For example, the procurement for professional services may have been submitted with the application. The Grantee must still receive DFA approval of that procurement for their files. DFA attempts to identify potential problems during the eligibility screening process, however, there may still be compliance issues that need to be addressed for any activities conducted prior to award. The Grantee should go over all application materials with the DFA Project Manager during the initial period of the project to ensure all approvals are obtained.

1.3.2 Financial Management “CDBG Accounting” Checklist

Setting up CDBG accounting with DFA is a very important part of the project. Starting early on helps prevent unnecessary delays when the time comes to submit pay requests.

- **Depository/Authorized Signatories Designation Form (Exhibit 1-G).** This form determines who will be signing the pay request forms. The **Exhibit 1-G** requires the Grantee to identify the depository institution where the project’s CDBG account is located and list the persons authorized to sign the Request for Payment Form (**Exhibit 1-M**). The **Exhibit 1-G** allows for the signature of up to 4 people, but a minimum of 2 is required. If the Grantee requires additional signatories, a second or even third **Exhibit 1-G** may be prepared. If the Grantee is required by DFA to obtain a fiscal agent, representatives from the fiscal agent must be authorized signatories in addition to those representing the Grantee. The checking account listed on this document must be non-interest bearing. Failure to do so may result in the Grantee repaying the interest to the U.S. Department of the Treasury. Once approved, DFA will sign the **Exhibit 1-G** and send back to the Grantee for inclusion in the CDBG file. If there is a change in the depository institution or signatories designated, new **Exhibit 1-G** and Substitute W-9 forms must be submitted with accurate information.

- **Witness certification, if applicable (Exhibit 1-H).** If the authorizing official for **Exhibit 1-G** is other than the Chief Executive Officer, this form is required to designate the authorizing official.
- **Substitute W-9 (Exhibit 1-I).** This form establishes the Grantee in the DFA vendor system and associates a bank account with the CDBG project. The address on this form for the Grantee must be used on all Requests for Payment (**Exhibit 1-M**), as this is the identifier for the account in the State database. Direct Deposit information Automated Clearing House (ACH) authorizes payments to be made directly to the Grantee’s bank account. This information must match the Depository/Authorized Signatories Designation Form (**Exhibit 1-G**).
- **Fidelity Bond.** This document is insurance for the authorized signatories associated with this grant. It is acceptable to use the New Mexico Self-Insurer’s Fund so long as the “Public Officials Errors and Omissions” are covered in the policy and the policy is renewed annually. DFA must have fidelity bond(s) in the project for the life of the project, so the Grantee will need to send the new one at the time of renewal.

1.3.3 Federal Requirements Checklist

- **Federal Requirements Plan** The Federal Requirements Plan (**Exhibit 1-Z**) must be completed and adopted by resolution for the life of the grant using the Resolution to Adopt CDBG Requirements (**Exhibit 1-Y**).
- Additional Requirements
 - **Fair Housing Self-Assessment (Exhibit 1-O-2).** This assessment is completed by the Grantee to help identify if there are any pre-existing or current issues in regards to fair housing.
 - **Fair Housing Activity.** Evidence of activity to further Fair Housing (one per project).
 - **Grantee Work Force Analysis or EEO-4 (Exhibit 1-S).** This document reports on the employment statistics for the county or municipality and must be updated on an annual basis. The Grantee is advised to contact local Human Resources staff for this information.

1.4 Authority to Use Grant Funds

DFA reviews and approves a Grantee’s environmental review on behalf of HUD in accordance with 24 CFR 570.604. DFA issues the Authority to Use Grant Funds (**Exhibit 2-Q**) only after DFA’s approval of the environmental review. Prior to receiving the DFA approved **Exhibit 2-Q**, the Grantee may not commit construction funds. (Commitment of construction funds includes bid advertisement, notice of award, notice to proceed, etc.) ***If construction funds are committed prior to the release of Exhibit 2-Q, reimbursements will not be made, the Grantee will be responsible for any previously reimbursed expenses and the project reverted.***

Prior to receiving the approved **Exhibit 2-Q**, the Grantee may only request reimbursement for CDBG funds for approved *administrative or professional services expenses*, as described in the project budget.

A full environmental assessment can take some time to complete, so the Grantee should start this process immediately. The environmental process involves getting responses from federal, state and tribal entities which can vary in their response times. The review also involves at least two required waiting periods. Once a finding of no significant impact (FONSI) and notice of intent to request release of funds (NOI/RROF) are published, a waiting period of 15 days + 1 day is required (18+1 days if posted). (See Chapter 2 for more detailed guidance.)

Start Environmental Checklist

- **Environmental Assessment Determination (Exhibit 2-A).** Fill out the boxes on the form as they pertain to the project. The form is then sent to the DFA Project Manager and a determination is made as to which environmental review should be conducted. This form must be signed and approved by DFA before the entire environmental review packet is submitted for approval.
- **Certifying Official Designation (Exhibit 2-A-1).** This form designates an individual tasked with the overall responsibility for the environmental review process.

Once the environmental review has taken place, the Grantee will submit the packet in its entirety to the DFA Project Manager. Once deemed complete, DFA must conduct an additional 15-day public comment period. Once that is complete, and if no issue was raised during the comment period, DFA will issue the Authority to Use Grant Funds (**Exhibit 2-Q**).

1.5 Grantee Accounting and Financial Management

The Grantee is responsible for clearly tracking CDBG funds and providing supporting documentation for their CDBG project. To ensure compliance with state and Federal regulations, the Grantee must maintain sound financial management practices and procedures and follow Generally Accepted Accounting Principles (GAAP).

The Grantee should have acceptable accounting procedures in place, including:

- Designate the Grantee representative as the person to ensure compliance with all internal financial controls.
- Designee for review and approval of financial transactions cannot be the same person as the finance officer who processes the transactions.
- Establish separate revenue and expenditure accounts or cost centers for each CDBG project. Separate accounts will eliminate conflicts with the community's ongoing system and will provide an adequate audit trail.

The state requires that each Grantee establish a system of internal controls that meet these six minimum requirements:

- 1) No one individual shall have complete control over all phases of significant transactions. This means, for example, that the same person cannot purchase materials, receive materials, authorize payment, and write checks.
- 2) Recordkeeping shall be separate from operations and the handling and custody of assets.
- 3) Monthly reconciliation and verification of cash balances with bank statements shall be made by employees who do not handle or record cash or sign checks.

- 4) Actual lines of responsibility shall be clearly established.
- 5) The person who prepares payrolls shall not handle the related paychecks.
- 6) All persons who handle financial transactions shall be bonded in accordance with state law. Evidence of a Fidelity Bond should be given to the DFA Project Manager and kept in the Grantee's project files for review.

Grantees must maintain a complete set of General Ledger and Subsidiary Accounts.

The Grantee may choose to use a local accounting system. However, the Grantee must ensure all accounting policies, procedures, and supporting documentation described in this task are included. Accounting must be conducted on the double entry basis. Books of original and final entry are an integral part of the required system. Books of original entry are the accounting records where information is first posted, and include the Cash Receipts Journal and Cash Disbursements Journal. Books of final entry are the General Ledger and Fixed Asset Ledger. Each is straightforward and described briefly below. Use the accounting policies and procedures of the political subdivision. The procedures included in this step may be used to supplement the local accounting system or can be used if the Grantee chooses not to use the local accounting system.

The Grantee's records should have the following:

Cash Receipts Journal

All receipts of cash deposited into the CDBG fund are recorded in this journal. Receipts may include contract payments from the state, receipts from the dispositions of land, etc. The general procedure for using this journal is to record every CDBG receipt in the date order it was received, entering from whom the money was received, account, receipt number, and date.

Cash Disbursements Journal

All expenditures are recorded in this journal. Records must show the date the check was issued, check number, payee, and amount. CDBG funds are normally distributed to Grantees by the "Grantee pays first" method whereby CDBG budgeted expenses are reimbursed after receipt, review, and approval by the DFA project manager and DFA fiscal officers of valid invoices, requisitions, purchase orders, and canceled checks.

General Ledger

This ledger must show all accounts (asset, liability, income, expense). Each account must have a trail of debits and credits with sufficient documentation.

Fixed Asset Ledger

This ledger is a list of all fixed assets acquired using CDBG funds. Examples of fixed assets recorded in this ledger include equipment.

1.6 CDBG Financial Operations

CDBG funds must be maintained in a non-interest bearing checking account. The Grantee must be able to track funds or cost centers within their accounting system. It is required that CDBG funds be kept in a separate account that is set up specifically for the project.

All project funds must be expended from the appropriate line items. If the Grantee wishes to move funds from one line item to another, the request must be submitted on letterhead for approval.

Changes to the approved budget must be requested in writing and an amendment approved and executed by DFA prior to the submission of a Request for Payment (**Exhibit 1-M**). Requests for Grant Agreement amendments will be evaluated on a case-by-case basis.

Advanced Payment/Payment by Disbursement/ “3-Day Rule”

The State of New Mexico’s CDBG program operates on a reimbursement basis. In cases of special need, the Grantee may request authorization to use the method of “advanced payment” also known as the “3-day rule” whereby the Grantee pays the vendor for CDBG budgeted expenses no later than three business days after the funds are deposited in their non-interest bearing checking account.

Advanced payment must be requested in writing by the Grantee. Approval of such a request is at DFA’s discretion, and usually involves LGD’s Budget Manager. This method has historically been a burden to Grantees and requires significant effort from Grantees to comply. Failure to comply with this rule will result in a finding and will prevent the Grantee from applying for CDBG during the next funding cycle to which they would otherwise be eligible.

- For example, if a CDBG check is deposited on Friday, checks equal to the total amount must be written and disbursed by the close of business the following Wednesday.
- In order to comply with the Three-Day Rule, the Grantee must arrange to be notified by the bank of receipt of deposits.
- If for any reason you receive CDBG funds and are unable to disburse them within three days, contact the DFA project manager immediately to discuss the situation.

After the Grantee’s payment clears the bank, the Grantee is responsible for providing the “back-up” to the DFA Project Manager, including:

- bank statement reflecting deposit of CDBG funds;
- bank statement reflecting withdrawal of CDBG funds;
- canceled check(s);
- **Exhibit 1-M** for reference.

These documents should be sent together in ONE email labeled “Back-up PR X” with the number of the pay request. If the DFA Project Manager does not receive the back up from the previous pay request by the time the Grantee submits a new pay request, payment may be withheld until the Grantee provides the back-up documentation from the prior pay request.

In-kind Expenses

If the Grantee anticipates using in-kind expenses on the project, the Grantee should reach out to the DFA Project Manager for prior approval, as per **Exhibit 4-V**. If approved, DFA will provide guidance on the documentation of tracking time and payroll costs for the employees involved.

Retaining records / Audits

Grantees must retain CDBG financial records for six (6) years after project closeout. Access to the records must be made available upon request.

Annual audits for each fiscal year in which CDBG funds are expended must be provided to DFA project managers for project closeout. All CDBG expenditures must be included in the Grantee's audits. Grantees must ensure that an audit is performed by an Independent Public Accountant (IPA) in accordance with OMB Circular A-133. The audit must be submitted to the DFA project manager within 30 days of the date the audit was released by the Office of the State Auditor.

If total expenditures of federal funds from all sources exceed \$750,000, CDBG must be listed as a funding source on the audit.

1.7 Submit a Request for Payment

Grantees may not draw on their CDBG funds until the account for payment has been established with DFA (see Section 1.6). The Grantee must document and retain ALL project invoices, receipts, and expenditures, including CDBG, cash match, and leveraging funds. The Grantee may not submit more than one pay request per month. If there is an extenuating circumstance to request more than one reimbursement per month, the Grantee should reach out to their DFA assigned Project Manager with an explanation of the circumstance necessitating the exception.

The Request for Payment (**Exhibit 1-M**) must be accurately filled out for processing. DFA is unable to process reimbursement without an accurate **Exhibit 1-M**, signed by TWO of the signatories on the **Exhibit 1-G**. If signatures do not match the Depository/Authorized Signatories Designation (**Exhibit 1-G**), payment cannot be processed. If a fiscal agent is required, the fiscal agent must sign, (along with a representative from the Grantee, whose signature is documented on the **Exhibit 1-G**). The approved budget information in the Request for Payment (**Exhibit 1-M**) must always match the most recent version of **Exhibit 1-C** in the Grant Agreement or Grant Agreement amendment.

All payment requests must be submitted on the Request for Payment (**Exhibit 1-M**) with appropriate signatures. Invoices, purchase orders, requisitions, canceled checks, pay applications, and related documents must be submitted with the Request for Payment (**Exhibit 1-M**) to verify expenditure of funds. The Cash Match/Leveraging Tracking Sheet (**Exhibit 1-J**) and all documentation of any match or leveraging expended in the current period shall be attached to the payment request (see Section 1.7.1 "Cash Match and Leveraging" below). Payments will not be processed without appropriate and complete supporting source documentation. If documentation exceeds 10 pages, the Grantee should provide a spreadsheet or annotations on the documents to identify amounts on invoices and checks.

Please note that invoices and pay applications must correspond to a DFA approved procurement to be accepted for reimbursement. If you have questions about whether DFA has approved the procurement, please inquire with your DFA Project Manager **prior** to submitting a request for reimbursement (**Exhibit 1-M**).

To avoid delay in reimbursement, the Grantee should review the Request for Payment (**Exhibit 1-M**) carefully to ensure that it is consistent with any prior request, the current budget, and there are no errors on the document. Lastly, the Grantee sends the document and all documentation of

expenditures and payments to the DFA Project Manager and/or to the electronic address or system provided.

Complete documentation for submitted requests for payment (**Exhibit 1-M**) must be retained in the Grantee's files. A copy of check(s) or ACH reimbursing the Grantee must also be retained in project files for monitoring reviews and audits.

Requests for payment may be denied, if, in the sole opinion of DFA, satisfactory progress on the project has not been accomplished. In such cases, requests for payment will be processed at the time DFA determines that appropriate action has been taken by the Grantee. Nevertheless, the Grantee is responsible to pay the contractor timely in compliance with the provisions of the Prompt Payment Act, Sections 57- 28-5-NMSA 1978.

For projects in construction, ALL payroll must be approved through the dates of the most recent pay application involved in the pay request by the project's Labor Officer, and the payroll must have been reviewed by DFA prior to submission of the pay request. Pay requests submitted without approved payroll cannot be reimbursed. If the Grantee submits a pay request without approved payroll for the commensurate period, it will be rejected. If DFA reimburses a pay request, unaware that payroll for the commensurate period showing on the pay application has not been approved, the Grantee may be required to repay funds disbursed when this comes to light. The requirement for payroll to be submitted to the Grantee on a weekly basis is clearly spelled out in the DFA template of the construction contract (**Exhibit 4-A**). The Grantee should communicate to the contractors the responsibility of ensuring timely submission of payroll for all of their subcontractors prior to the commencement of construction to ensure that their respective payroll personnel are aware of and able to meet this weekly requirement. Failure to meet the requirement will create delays in payment. (See Chapter 4 for more information on construction and labor.)

1.7.1 Cash Match and Leveraging

CDBG and all other funds must be spent in proportionate amounts unless cash match and/or leveraging funds have been fully expended prior to the initial draw request. "Cash match" is whatever amount the Grantee is required to contribute to the project based on the application process. "Leverage" is any amount above the required amount (cash match). If cash match is required, it is shown separately from the leveraging in the Project Cost/Financing Summary (**Exhibit 1-C**).

The required cash match is dependent on the CDBG Grant Agreement. Pay requests that do not match the approved budget cannot be processed for payment. In the Project Cost/Financing Summary (**Exhibit 1-C**) of the Grant Agreement, the amount of cash match, in-kind (if applicable), and leveraging funds (if applicable) are listed. The Grantee is responsible for providing all supporting documentation that these amounts have been incurred and expended, to include all cash match, leveraging and in-kind if applicable. This documentation should include, but is not limited to copies of invoices, purchase orders and copies of canceled checks paid to the vendor(s).

The Cash Match/Leveraging Tracking Sheet (**Exhibit 1-J**) should be used to track the amounts, per invoice, spent by the Grantee on cash match and leveraging funds. The **Exhibit 1-J** should be filled out cumulatively throughout the project.

Supporting documentation must be retained in the Grantee's project files for monitoring reviews and audits. This information is also provided on the Request for Payment/Financial Status Report (**Exhibit 1-M**). The Cash Match/Leveraging Tracking Sheet (**Exhibit 1-J**) should be used to track the amounts, per invoice, spent by the Grantee on cash match and leveraging funds. The (**Exhibit 1-J**) should be filled out cumulatively throughout the project.

1.7.2 Final Pay Request

The final request for payment shall be no less than 10% of the CDBG grant funds budgeted for the project. This project will not be paid until: 1) all payroll has been approved by the Labor Officer and DFA Project Manager; 2) all closeout documents have been received and reviewed by the DFA Project Manager; 3) any outstanding items from the Closeout Monitoring have been addressed.

Any balance of CDBG funds on the final pay request reverts to the CDBG Program.

1.8 Federal Requirements

1.8.1 CDBG Federal Requirements and Resolution to Adopt CDBG Requirements (Exhibits 1-Z and 1-Y)

The Grantee is required to develop plans for implementing federal requirements on the CDBG project. The Federal requirements requiring plans include: Citizen Participation, Fair Housing, Residential Anti-Displacement & Relocation Assistance, Section 3, and Procurement. For efficiency, DFA has combined templates for these plans into one form, known as the CDBG Federal Requirements Plan (**Exhibit 1-Z**) which should be passed at the Grantee's Council or Commission meeting with the template Resolution to Adopt CDBG Requirements (**Exhibit 1-Y**). This should be done within the first month of the CDBG project.

Fair Housing Resolution, Proclamation, and Self-Assessment

Every Grantee is required to certify that it will affirmatively further fair housing. In addition, a fair housing poster must be displayed for the public to view. A Fair Housing Self-Assessment (**Exhibit 1-O-2**) must be completed in addition to the adoption of the Federal Requirements Plan (**Exhibit 1-Z**) and the Resolution to Adopt CDBG Requirements (**Exhibit 1-Y**).

A Fair Housing Activity must be conducted for each project. Some activities to consider are coloring contests, community housing fairs, banners, and utility inserts on fair housing. Please contact the DFA Project Manager for examples of fair housing activities. Fair Housing Month is April, but the Grantee may complete the Fair Housing Activity at other times as well.

Citizen Participation Plan

Developing a Citizen Participation Plan as included in the Federal Requirements Plan (**Exhibit 1-Z**) and the Resolution to Adopt CDBG Requirements (**Exhibit 1-Y**) will ensure that citizens will be provided with reasonable notices and timely access to local meetings (Open Meeting NMSA 1978, Sections 10-15-1 to 10-15-4.)

At a minimum, the Grantee must hold three (3) public hearings: two prior to submission of application, and one at the final closeout to notify the public of the accomplishments of the

awarded project. However, the Grantee may hold additional meetings throughout the project as needed.

All public hearings conducted for CDBG must include mention of the CDBG national program objective, information on eligibility, eligible activities and categories, common ineligible activities, program requirements, application requirements, current and past CDBG projects, answer any questions, and open the floor for citizen input. A required text for the meeting is provided in the Public Meeting Requirements (**Exhibit 1-Q-1**).

Evidence of CDBG public hearings must include separate postings or publications, sign-in sheets, and meeting minutes for each hearing conducted. Sample Notices of Public Hearing in English and Spanish are included as **Exhibit 1-Q**. In accordance with the New Mexico Open Meetings Act, notices must be posted a minimum of ten (10) days prior to the public hearing. The Grantee must complete Evidence of Posting Notices (**Exhibit 2-M**) if posted rather than published.

CDBG public hearings cannot be conducted during regularly scheduled meetings. If held on the same day as a regularly scheduled meeting, the governing body must adjourn between meetings, and have separate sign-in sheets, minutes, and notices that distinguish the CDBG hearing as separate from any other meetings or hearings.

A new public hearing must be conducted to provide citizens with reasonable advance notice of, and opportunity to comment on, proposed activities in an application to the state and for grants already made, activities that are proposed to be added, deleted, or substantially changed from Grantee's original application to DFA. "Substantially changed" means changes made in terms of purpose, scope, location, or beneficiaries.

Residential Anti-Displacement and Relocation Assistance Plan

Whenever federal funds, such as CDBG, are used in a project involving the acquisition, rehabilitation, or demolition of real property, a federal law known as the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA) may apply. The purpose of the URA is to provide uniform, fair, and equitable treatment for persons whose real property is acquired or for persons displaced as a result of a CDBG-funded project or activity.

This plan must be adopted by resolution regardless of whether the Grantee is undertaking relocation activities. A Residential Anti-Displacement and Relocation Assistance Plan as included in the Federal Requirements Plan (**Exhibit 1-Z**) and the Resolution to Adopt CDBG Requirements (**Exhibit 1-Y**) will ensure that Grantees are compliant in this respect.

Section 3 Plan and Report

Section 3 is a provision of the HUD Act of 1968 that helps foster local economic development, neighborhood economic improvement, and individual self-sufficiency. The Section 3 program requires that recipients of certain HUD financial assistance, to the greatest extent feasible, provide job training, employment, and contracting opportunities for low or very low-income residents in connection with projects and activities in their community. There are numerous requirements that must be followed by CDBG Grantees and their contractors to ensure Section 3 compliance (See Chapter 5).

One Section 3 requirement is for the CDBG Grantee to adopt a Section 3 Plan as included in the Federal Requirements Plan (**Exhibit 1-Z**) and the Resolution to Adopt CDBG Requirements (**Exhibit 1-Y**) to ensure that Grantees are compliant in this respect. This completed, signed plan must also include Section 8 income limits for the project area included in **Exhibit 1-Y**.

Procurement

The Grantee is required to adopt by resolution and adhere to a procurement policy. This can be done in conjunction with other federal requirements. The Grantee's adopted procurement policy must be in DFA's files.

Procurement under the CDBG Program complies with 2 CFR 200; 24 CFR 586; and 24 CFR 570.489, State of New Mexico requirements, and meets the requirements outlined in the Implementation Manual per 24 CFR 570.480 (f). All CDBG procurement uses the forms DFA provides for the CDBG program. If there is a contradiction between the regulations and the manual, the most restrictive requirement must be followed. Among other requirements procurement must:

- Promote full and open competition.
- Specify applicable methods of procurement. Cost plus percentage of costs and percentage of construction cost methods are NOT ALLOWABLE.
- Include standards of conduct for employees engaged in award or administration of state CDBG-funded contracts.
- Ensure that all purchase orders and contracts include all applicable references to statutes, regulations, and Executive Orders.

Statewide Price Agreements (SPAs), cooperative procurements (such as CES), and Design Build procurements are NOT allowable for the CDBG program. Given this, the first step on any procurement is to check the Implementation Manual for the suitable template, or to inquire with the DFA Project Manager.

Equal Employment Opportunity (EEO)

CDBG requires that Grantees meet federal Equal Employment Opportunity requirements as part of their CDBG Federal Requirements. The Grantee must complete the EEO-4 Survey (**Exhibit 1-S**) and submit documentation to their project manager verifying its completion. The Grantee must also post EEO posters at the construction site and in a visible public location at the Grantee's physical office. Posters can be picked up at the local New Mexico Department of Workforce Solutions.

1.9 Grantee/Contractor/Subcontractor Clearance

1.9.1 Exhibit 1-X Contractor/Subcontractor Clearance Form

The Grantee must assure that all vendors under contract on CDBG projects (this includes the Grantee and any administrative, professional, and construction service providers) maintain an active registration on the Federal System for Award Management (SAM), which must be available for public search. Registration on SAM (<https://sam.gov>) is free and required for the Grantee and all vendors for the duration of their activity on the project as defined by their contractual obligation.

The Grantee must submit a completed Contractor/Subcontractor Clearance form (**Exhibit 1-X**) to DFA for verification and approval for each vendor of active SAM registration. Thereafter, the Grantee is responsible for submitting a new 1-X prior to the expiration of the vendor's SAM registration (showing on the second page of the form). To keep track of the different vendors on a project and their respective dates of SAM registration expiration, the Project Administrator for the Grantee should keep a calendar. *Failure to submit 1-Xs for updated vendor registration within a month of the expiration may result in a concern or a finding, or even potentially result in the Grantee being required to return funds to the U.S Treasury.*

Vendors working on the project must stay registered throughout their activity on the project. "Activity" is determined by the dates of their contractual obligation. *Lapse of any vendor's registration (or if a vendor otherwise becomes ineligible to receive federal funding) is a serious matter. The Grantee should contact DFA immediately for guidance on the specific situation. Consequences may include suspension of work, delayed or rejected pay requests, reversion, and potentially the need to repay to the U.S. Treasury for funds already reimbursed.*

1.9.2 Exhibit 1-E Contract-Subcontract Activity Report

The Contract-Subcontract Activity Report (**Exhibit 1-E**) must be submitted with the quarterly progress report. All vendors working on the project must be listed on **Exhibit 1-E**; it is cumulative and comprehensive for the project. Instructions for properly completing the form can be found in **Exhibit 1-E-1**.

1.10 HUD Applicant/Recipient Disclosure/Update Report

The Applicant/Recipient Disclosure/Update Report (**Exhibit 1-F**) was submitted at the time of application. A second and final **Exhibit 1-F** is due upon project completion. The final **Exhibit 1-F** is submitted with the Final Report (**Exhibit 1-D-1**). This HUD required form is used to report additional funds of any source and type that are used to support the costs of the CDBG project. This includes and is not limited to cash match dollars from the Grantee's General Fund, state legislative grants, other federal grants, and state or federal loans.