

City of Michigan City

Community Development Block Grant (CDBG)

Record Keeping Policies and Procedure Table of Contents

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Part 1: General Record Keeping Policies and Procedures

A. Program Record Keeping

The following items must be included in each activity file:

- CDBG application
- Contract/agreement with the City
- Exhibit A – Statement of Work (includes location, clients served, budget) may be included in Request for Proposals (RFP)
- Exhibit B – Quarterly Reports (progress report)
- Exhibit C – Summary of Work (includes accomplishments)
- National objective documentation
- Contracts with vendors
- Up to date budget (including copies of budget change requests)
- Expenditure and Requests for Payments, including supporting documentation
- Environmental review
- Monitoring reports
- Relevant correspondence
- Audits

B. Financial Record Keeping

The following documentation is needed to administer CDBG funds:

1. Record of CDBG funds received
 2. Record of CDBG funds disbursed
 3. Documentation of CDBG expenditures
 4. Accrued expenditures
 5. Review of expenditures
 6. Other files
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1. Record of CDBG funds received: The CDBG funds received must be accounted for separately by grant and maintained so that the total CDBG funds received can be verified for any given period of time. Accounting records must record the date the funds were received and be traceable to the bank account used. If account numbers are used, a separate account number should be set up for each grant.
 2. Record of CDBG funds disbursed: Disbursement of CDBG funds must be accounted for separately by grant and grant activity. For example, if there are two current grants, one general grant for housing rehabilitation and public works, and one economic development planning and technical assistance grant, Michigan City CDBG staff will keep separate expenditure accounts for each of the activities under

each separate grant. The date payment must be recorded, as well as the name of payee and the warrant number and amount and establish audit trails to the supporting source document.

3. Documentation of CDBG expenditures: All CDBG expenditures must be supported by source documentation such as invoices, timesheets, and travel claims. If the contract cost for a consultant, a CPA firm, engineering firm, or other organization is charged to the grant, keep with your financial files a copy of the contract, procurement procedures followed, and paid invoices (with supporting documentation for cost-reimbursement contracts).
4. Accrued expenditures: Staff is required to report and document accrued expenditures. Basically, accrued expenditures include bills paid as well as invoices that are not yet paid.
5. Review of expenditures: Staff must review and approve vouchers and invoices to make sure the items are eligible costs pursuant to the contract and program regulations and that the cost is charged to the correct grant and program activity.
6. Other files: Besides the books listed above, the City's Finance Department should include correspondence between CDBG projects and the Finance Department regarding budget changes or authorizing any contract amendments, and the results and response to any fiscal monitoring findings.

C. Request for Payment / Supporting Documentation

Supporting documentation is necessary to show that the CDBG costs:

- were incurred during the effective period of the subrecipient's agreement with the grantee
 - were actually paid off (or properly accrued)
 - were expended on allowable items
 - were approved by the responsible official(s) in the subrecipient organization
- ✎ The City of Michigan City's CDBG program operates on a reimbursement basis, which means that subrecipients must submit requests for payments along with source documentation in order to be reimbursed by the City. Once the City processes the Request for Payment, a drawdown can be made by the City through IDIS.
- ✎ The source documentation must explain the basis of the costs incurred as well as show the actual dates and amount of expenditures. For example:
- ✎ With respect to payrolls, source documentation should include employment letters and all authorizations for rates of pay, benefits, and employee withholdings. Such documentation might include union agreements or minutes for board of directors'

meetings where salary schedules and benefit packages are established, copies of written personnel policies, W-4 forms, etc.

- ✓ For staff time charged to the CDBG program activity, time and attendance records should be available. If an employee's time is split between CDBG and another funding source, there must be time distribution records supporting the allocation of charges among the sources. Canceled checks from the employees, insurance provider, etc., or evidence of direct deposits will document the actual funds.
- ✓ With respect to the cost of space and utilities, space costs must be supported by documentation such as rental or lease agreements. Utility costs will be supported by bills from the utility companies. Both types of expenses will be supported by canceled checks. If the cost of space or utilities is split between the CDBG program and other sources, there must be a reasonable method in place to allocate the charges fairly among the sources.
- ✓ With respect to supplies, documentation would include purchase orders or requisition forms initiated by an authorized representative of the subrecipient, an invoice from the vendor (which has been signed-off by the subrecipient to indicate the goods were received), the canceled check from the vendor demonstrating payment was made, and information regarding where the supplies are being stored and for what cost objective(s) they are being used.
- ✓ Staff must maintain a financial management system that provides accurate, current, and complete disclosure of the financial status of each grant-supported activity. The system must be capable of generating any financial status reports required and includes procedures for determining whether charges to the grant are reasonable, allowable, and allocable.

D. Record Retention Policy

- ✓ All records pertaining to CDBG grants must be retained for five years from the date the final expenditure report is submitted by the grantee to HUD (CAPER) or completion and resolution of the audit and/or any litigation; whichever is last.
- ✓ If there are any litigation, claim, or audit findings that extend beyond this five-year period, you must retain the records until all litigations, claims, or audit findings involving the records have been resolved.
- ✓ Records for most Capital projects (ex. rehabilitation of a facility or park) shall be retained for five years after final closeout. The closeout will begin once the grant is forgiven. For rehabilitation projects, a grant is forgiven after 7 years.
- ✓ Records for property acquired with grant funds shall be retained for five years after final closeout. The closeout will begin once the grant is forgiven. For acquisition, a grant is forgiven after 15 years.

E. Access to Records

- ✓ HUD and authorized representatives have the right to access subrecipient agency program records.
- ✓ All CDBG grantees are required to provide citizens with reasonable access to records regarding the current funded programs and past, consistent with applicable State and local laws regarding privacy and confidentiality.

F. Common Record Keeping Problems

- Disorganized or missing files
- Inadequate accounting source documentation (invoices, timesheets, etc.)
- Inadequate accounting of receipts and disbursement of grant funds
- Indirect costs charged to grant without an approved indirect cost rate plan
- Inadequate procedures for verification of allowable costs
- Inadequate procedures for certifying sub-grantee financial systems
- Inadequate separation of duties