

**Community Development  
Block Grant -  
Disaster Recovery  
for the  
2018 Cook Inlet  
Earthquake  
FEMA Disaster #4413**

---

**Subrecipient Introductory  
Handbook**

---



Division of Community and Regional Affairs  
455 3rd Avenue, Suite 140, Fairbanks Alaska 99701, (907) 451-2721

# TABLE OF CONTENTS

<b>FOREWORD .....</b>	<b>1</b>
CDBG-DR ELIGIBLE PROGRAMS AND ACTIVITIES.....	2
<b>PART I GETTING STARTED — PRE-AGREEMENT REQUIREMENTS .....</b>	<b>3</b>
DESIGNATED OFFICIAL (PROJECT MANAGEMENT/SIGNATORY AUTHORITY) .....	3
SAMS CERTIFICATION AND TRANSPARENCY ACT.....	3
SITE CONTROL .....	3
UNIFORM RELOCATION ASSISTANCE AND REAL PROPERTY ACQUISITION POLICIES ACT.....	4
ENVIRONMENTAL REVIEW .....	4
LEAD-BASED PAINT .....	5
PERMITS.....	5
INSURANCE.....	5
PROCUREMENT.....	6
LABOR STANDARDS .....	6
<i>FORCE ACCOUNT LABOR</i> .....	6
<i>DAVIS-BACON CONTRACTED LABOR</i> .....	7
<i>COMBINATION OF FORCE ACCOUNT AND CONTRACTED LABOR</i> .....	7
SECTION 3 .....	7
BUDGET .....	7
SUBRECIPIENT AGREEMENT TERM / PROJECT TIMELINE.....	8
CIVIL RIGHTS .....	8
DUPLICATION OF BENEFITS .....	9
SUBROGATION AGREEMENT.....	10
URGENT NEED.....	10
<b>PART II SUBRECIPIENT AGREEMENT .....</b>	<b>11</b>
SIGNATURE.....	11
SCOPE OF WORK / BUDGET .....	11
STANDARD PROVISIONS .....	11
APPLICABLE LAWS AND REGULATIONS .....	12
AMENDMENTS (MODIFICATIONS).....	12
PUBLIC HEARINGS.....	12
<b>PART III PROCUREMENT AND CONTRACTING .....</b>	<b>13</b>
PROCUREMENT POLICY .....	13
METHODS OF PROCUREMENT .....	13
<i>Procurement By Small Purchase – 2 CFR 200.320(a)(2)</i> .....	13
<i>Procurement By Sealed Bids (Formal Advertising) - 2 CFR 200.320(b)(1)</i> .....	13
<i>Procurement By Competitive Proposals - 2 CFR 200.320(b)(2)</i> .....	13
<i>Procurement By Noncompetitive Proposals – 2 CFR 200.320(c)</i> .....	14
CREATING, ADVERTISING, AND OPENING BIDS.....	14
NOTICE OF CONTRACT AWARD.....	14
PREPARATION OF A CONTRACT.....	14
<b>PART IV MANAGEMENT, REPORTING, AND RECORDKEEPING REQUIREMENTS .....</b>	<b>15</b>
FINANCIAL MANAGEMENT .....	15
REPORTING .....	15

ELECTRONIC FUNDS TRANSFER AND PAYMENT INQUIRY.....	15
RECORDKEEPING REQUIREMENTS .....	15-16
FORCE ACCOUNT LABOR.....	17
CONTRACTED LABOR.....	17
SECTION 3.....	17
PROCUREMENT.....	17-18
BENEFICIARIES.....	18
<b>PART V MONITORING VISIT .....</b>	<b>19</b>
<b>PART VI CLOSE-OUT .....</b>	<b>20</b>
TYPES OF CLOSE-OUT.....	20
CLOSE-OUT AMENDMENT .....	20
RECORDS RETENTION .....	20
<b>PART VII AUDIT.....</b>	<b>21</b>
WHAT IS AN AUDIT? .....	21
WHAT TYPES OF AUDITS ARE THERE? .....	21
WHAT ARE FEDERAL SINGLE AUDIT REQUIREMENTS?.....	21
WHERE ARE AUDIT REPORTS SUBMITTED? .....	22

## FOREWORD

**The Good News:** Congratulations! Your local government or organization (the Grantee) has been successfully awarded a [Community Development Block Grant - Disaster Recovery \(CDBG-DR\)](#) for the 2018 Cook Inlet Earthquake, FEMA Disaster # 4413, through the State of Alaska's Department of Commerce, Community, and Economic Development (DCCED).

**The Bad News:** The regulations that come with this program can be overwhelming as federal and state regulations apply. Adhering to these regulations is critical to the successful completion of your program or project.

**More Good News:** You have been assigned a grant administrator whose primary task is to make this program as easy to work with as possible. We will try to keep your paperwork to a minimum (though at first glance it will look pretty monumental), to explain the rules and regulations, and to make sure you have all the help you need in meeting the program requirements.

The grant administrators who administer the CDBG-DR program are in the Anchorage and Fairbanks Office. Their names and contact information are provided below:

**Anita Baker:** (907) 269-4252 [anita.baker@alaska.gov](mailto:anita.baker@alaska.gov)

**Lee Lemay:** (907) 451-2717 [lee.lemay@alaska.gov](mailto:lee.lemay@alaska.gov)

If the grant administrator assigned to your community or organization is not available when you have a question or concern, you may contact **Pauletta Bourne**, Grants Administrator 3, in the Fairbanks office at (907) 451-2721 or [pauletta.bourne@alaska.gov](mailto:pauletta.bourne@alaska.gov).

We are all here to help and to make your life as easy as possible while you work on completing your program or project.

## CDBG-DR ELIGIBLE PROGRAMS AND ACTIVITIES

On January 27, 2020, the U.S. Department of Housing and Urban Development (HUD) allocated CDBG-DR funds to address unmet disaster recovery needs through activities authorized under Title I of the Housing and Community Development Act of 1974 related to disaster relief, long term recovery, restoration of infrastructure and housing, economic revitalization, and mitigation. The State of Alaska was allocated \$35,856,000 for FEMA Disaster No. 4413 (the 2018 Cook Inlet Earthquake), with \$1,792,800 or 5% for State Administration and \$5,378,400 or 15% for State Planning, and a minimum of \$22,947,600 to be expended within the Municipality of Anchorage, and the remaining \$5,737,200 to be expended within the Matanuska-Susitna Borough and the Kenai Peninsula Borough. A minimum of 70% CDBG-DR funds must be used to serve or benefit Low-Moderate Income Households.

**The following are CDBG-DR eligible programs:** Housing, Public Infrastructure, Economic Development/Revitalization, and Planning.

**The following are eligible Housing activities:** Voluntary Housing Buyout Program/Housing Relocation Services Program, Local Acquisition Program, Homeowner Recovery Program, and HUD-Assisted Housing Program. Additional housing activities may be added at a later time.

**The following are eligible Public Infrastructure activities:** Category C (Roads and Bridges), Category D (Water Control Facilities), Category E (Buildings & Equipment), Category F (Utilities), and Category G (Other, Parks, Recreational Facilities, Fish Hatcheries). These projects will only be considered after you have applied and have been denied by FEMA.

**The following are eligible Economic Development/Revitalization activities:** Loans/Grants, Job Training, Commercial/Retail District Improvements, and Workforce Creation/Retention. Additional economic development/revitalization activities may be added at a later time.

**The following are Planning activities:** Integration of the Local Hazard Mitigation Plan, Comprehensive Land Use Plan, Neighborhood Development Plan, and Infrastructure Plan. Additional Plans may be added at a later time.

The Grantee must ensure that all activities funded with CDBG-DR funds meet the criteria for one of the CDBG-DR program's National Objectives, as defined in [24 CFR 570.208](#). For example, the project meets the housing needs for low and moderate-income households; or aids in the prevention or elimination of slums or blight by providing code enforcement, infrastructure, and/or commercial rehabilitation; or meets an Urgent Need due to existing conditions which pose a serious and immediate threat to health/welfare of the community and the existing conditions are recent or recently became urgent.

# PART I

## GETTING STARTED — PRE-AGREEMENT REQUIREMENTS

### DESIGNATED OFFICIAL (PROJECT MANAGEMENT/SIGNATORY AUTHORITY)

In your pre-agreement paperwork, we will send you a form called “Signatory Authority.” We automatically designate the chief elected official (usually the mayor) or your organization’s Chief Executive Officer (CEO) as the person responsible for signing the Subrecipient Agreement (the Agreement), any amendments, and all financial reports. Since this can be a problem for some local governments and organizations, you have the option of designating specifically who will be responsible for managing the project, for signing the Agreement and amendments, and for completing and signing the financial reports. These may or may not be the same person(s).

For example, you may want your mayor or CEO to sign the Agreement and any amendments but would prefer your Finance Officer or Administrator complete and sign the financial reports. By filling out this form, you may do so. To expedite your CDBG-DR reimbursement, it is your responsibility to make sure your grant administrator is notified of any changes of signatory authority by submitting an updated form as these changes occur.

*There is one important consideration in filling out this form.* The mayor or CEO signs the bottom of the Signatory Authority form, effectively delegating authority to the person(s) designated on the form. Regardless of who will be signing the documents during the Agreement term, *the subrecipient (local government) will be ultimately responsible* for making sure the Agreement is carried out properly and that all funds are expended properly.

### SAMS CERTIFICATION AND TRANSPARENCY ACT

DCCED is required to report information on subrecipients receiving funds under a federal grant per the Federal Funding Accountability and Transparency Act (FFATA). Information is reported in the FFATA Subaward Reporting System (FSRS). Information reported in the FSRS will then be displayed on [www.USASpending.gov](http://www.USASpending.gov).

To comply with FFATA, all subrecipients must maintain a current [SAM.gov](http://SAM.gov) registration. For more information, visit [SAM.gov](http://SAM.gov) or the Federal Service Desk, [FSD.gov](http://FSD.gov).

### SITE CONTROL

If your Agreement involves the use of land in any manner (building on it, burying a tank under it, running power lines across it, etc.), you or your General Contractor/Developer or Beneficiary must establish site control. Our division has developed a publication called [“What is Site Control?”](#).

Site control requirements depend upon the nature of the project. For example, if a permanent building is to be constructed, it is advisable to obtain title to the land (by deed) or, at least, a right to use the land for the expected life of the structure (a lease for 20 years at the minimum). For utility projects such as electrical, water and sewer lines, obtaining an easement might be less expensive and is usually sufficient for site control.

If land has been transferred from the Federal or State government to another party, the conveyance document should be on record at the appropriate District Recorder's office. The contact information for the District Recorder's office serving your community may be obtained from the State Recorder's Office:

**State Recorder/Administration**  
**550 W. 7th Ave, Suite #108**  
**Anchorage, AK 99501-3564**  
**(907) 269-8876**  
**Fax: (907) 269-6006**

If the project is located within a Federal townsite, the BLM Alaska State Office must be contacted. They are responsible for issuing land deeds to Alaskan villages. The trustee owns and manages townsite lands until a deed is issued.

**US Department of the Interior**  
**Bureau of Land Management**  
**Alaska State Office**  
**222 West 7th Avenue, #13**  
**Anchorage, AK 99513**  
**(907) 271-5960**  
**Fax: (907) 271-3684**

If the land to be used is in an unincorporated ANCSA village, or if you are simply not sure of its status, provide your grant administrator with a **legal description** of the parcel, and a map of the area showing the location of the parcel, and we will request a determination for you. In ALL cases, site control must be established before any funds can be obligated or expended on your Agreement. This can take time, so ask for an opinion as soon as possible.

## **UNIFORM RELOCATION ASSISTANCE AND REAL PROPERTY ACQUISITION POLICIES ACT**

Each CDBG-DR eligible activity involving the acquisition, demolition, or rehabilitation of real property or displacement of persons for a project or program with HUD financial assistance will be required to follow the requirements stated under the implementing regulations of [24 CFR part 42](#), which requires a residential anti-displacement and relocation assistance plan. For guidance contact your grant administrator.

## **ENVIRONMENTAL REVIEW**

As part of the Agreement negotiation process, and before you may incur costs or expend any funds, a complete and documented environmental review must be completed per HUD's requirements. The environmental review responsibilities include meeting the requirements of the National Environmental Policy Act (NEPA), HUD Environmental regulations at [24 CFR Part 58](#), and other related federal environmental laws and executive orders.

The environmental review process may take up to 60 days. Your entire project timeline depends on how quickly the environmental review is completed.

## LEAD-BASED PAINT

The **Renovation, Repair and Painting Rule (RRP Rule)** finalized in April 2008 under the Residential Lead-Based Paint Hazard Reduction Act of 1992 became effective on April 22, 2010. This rule requires that all contractors performing renovation, repair and painting projects that disturb lead-based paint in homes, childcare facilities, and schools built before 1978 be certified and must follow specific work practices to prevent lead contamination. Renovations are broadly defined as any activity that disturbs painted surfaces and includes most repair, remodeling, and maintenance activities, including window replacement. This is a requirement for residential structures assisted with CDBG-DR funds, for additional information please visit [Lead Disclosure Rule](#).

## PERMITS

You (the subrecipient or your General Contractor/Developer/Beneficiary) are responsible for determining which permits may be required for your project. We advise you to contact your local Building Department or the Department of Environmental Conservation (DEC) office closest to you. They should be able to assist you with what permits you may need and advise you which agency or agencies to talk to regarding those permits.

### State of Alaska Department of Environmental Conservation

Northern Regional Office  
610 University Avenue  
Fairbanks, AK 99709-3643  
(907) 451-2100

Southcentral Regional Office  
555 Cordova Street  
Anchorage, AK 99501  
(907) 269-7633

Southeast Regional Office  
410 Willoughby Ave., Suite 303  
Juneau, AK 99801-1795  
(907) 465-5066

## INSURANCE

You (the subrecipient) may not start work on a project until all the insurance required to protect project workers, the public, and your own interests are secured. Listed below are the types of insurance that are required, as well as some policies that are optional depending upon the local governments or organization's needs and concerns:

**Workers' Compensation Insurance:** State law ([AS 23.30](#)) requires the local government or organization to procure and maintain Workers' Compensation Insurance for all employees engaged in work during completion of the project.

**Vehicle Liability Insurance:** State law ([AS 21.89](#)) requires that all vehicle owners maintain at least a minimum of insurance coverage against loss from the liability imposed by law for damages arising out of the ownership or use of a vehicle.

**General Liability:** The local government or organization must procure and maintain a liability policy to protect itself and its workers from claims due to accidents.

**Builder's Risk Insurance (optional):** The local government or organization may want to obtain fire, theft, vandalism, and other kinds of insurance coverage, either for the whole project or some part of the project.



**Hazard Insurance:** The local government or organization must procure and maintain hazard insurance coverage for unusual events such as fire, windstorms, flooding, or earthquakes.

**Professional Liability Insurance (optional):** The local government or organization should consider requiring contractors (including architects, engineers, etc.) to obtain this insurance to cover any negligent acts of the contractor, subcontractor or anyone directly or indirectly employed by them. This coverage provides extra protection for the grantee.

We will provide you with additional information regarding the required amounts of insurance coverage. You are required to show proof of insurance by having your Insurance Carrier provide your grant administrator with a Certificate of Insurance, on which DCCED is named as an interested party. This does not mean that the state is a party to your insurance contract; it means that the state will be automatically notified of any changes in your insurance coverage.

Any contractor/subcontractor hired to work on your project must be licensed, bonded, and insured for at least the total amount of the project. It is your responsibility to make sure your contractor maintains the appropriate insurance coverage on your project.

## PROCUREMENT

The grantee is required to follow “fair and equitable” procurement standards in the acquisition of all services, supplies, and materials. You may use your own written procurement procedures, **provided that the procurements conform to applicable federal law and regulations identified in [2 CFR Part 200.318-327](#)**. For more information see Part III Procurement and Contracting.

## LABOR STANDARDS

There are three ways labor can be performed and paid for under a CDBG grant: **Force Account Labor, Davis-Bacon Contracted Labor, or a combination of the two.**

### FORCE ACCOUNT LABOR

Force account labor is a construction project in which a local government serves as the contractor and constructs a project “in-house” using local labor. This applies to all labor, not just construction labor. In a force accounting projects, workers are hired directly by the local government as public employees. Using the force accounting method may be less expensive. **However, the consideration to use force accounting to construct a community project should not be undertaken lightly.** Force accounting is not necessarily the best approach for every community, or for every project. Force account projects can be the ultimate test of a community’s administrative abilities.

Two questions should be kept in mind when considering whether to use force accounting for a construction project. The first is whether the local government is **capable** of handling the technical aspects and labor requirements of the project. The second is whether the local government, and the community, have the **commitment** to provide the labor force, training programs and support necessary to successfully complete a force account project. These two critical questions need to be carefully considered and answered prior to starting a project. One of the major benefits of force accounting is the opportunity to employ and train local residents. A local government should evaluate the size and talents of the resident labor force to determine what part of the job can be done by local residents, and how much of the labor force will need to be hired from outside the community.

## **DAVIS-BACON CONTRACTED LABOR**

Applies when a grantee chooses to contract out an entire project, without using force accounted labor. Labor in this case falls under several federal laws; the three basic applicable laws are the **Davis-Bacon Act**, the **Copeland Anti-Kickback Act**, and the **Contract Work Hours and Safety Standards Act**. This form of labor carries with it extensive requirements, including a formal bid process, preconstruction conferences, certified weekly payrolls, U.S. Department of Labor wage rates, periodic worker interviews, etc. If your project will be constructed using Davis-Bacon labor, your grant administrator will provide you with the requirements and guidelines to assist you in fulfilling the conditions associated with this type of construction.

Prior to selecting a contractor and signing the contract, you must verify that the contractor is not debarred or suspended from participation in Federal programs. To verify that the contractor is registered and not debarred, complete a search in [SAM.gov](https://sam.gov), print the active registration and place in your in your grant file. [Alaska Department of Labor](https://www.alaska.gov/labor) maintains a list of entities debarred from bidding or working on public construction projects within Alaska, conduct and document your search.

In addition, verify and document for your file the contractor(s) active license to do business in the State of Alaska from [Division of Corporation, Business and Professional Licensing](https://www.alaska.gov/corporation).

## **COMBINATION OF FORCE ACCOUNT AND CONTRACTED LABOR**

Applies when the grantee uses force account labor and contracts for specialized services, such as plumbing and electricians.

## **SECTION 3**

Section 3 is a provision of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) that is regulated by the provisions of [24 CFR Part 75](https://www.ecfr.gov/current/title-24/chapter-I/subchapter-B/part-75). Section 3 regulations ensure that economic opportunities, most importantly employment, generated by certain HUD financial assistance shall be directed to low- and very low-income persons, particularly those who are recipients of government assistance for housing or residents of the community in which the Federal assistance is spent.

For community development financial assistance, this plan applies to public construction projects that exceed \$200,000 of community development financial assistance from HUD programs. Applicability is determined at the project level. This plan also applies to projects that include multiple funding sources.

Your project will have to adhere to a Section 3 Plan provided by DCRA. You will have to create or amend your Section 3 Policies and Procedures to ensure compliance with [24 CFR Part 75](https://www.ecfr.gov/current/title-24/chapter-I/subchapter-B/part-75) requirements. You will have to assign a Section 3 coordinator that serves as the central point of contact for Section 3 compliance for your subrecipients, contractors and subcontractors. Quarterly reports on Section 3 compliance will be required. For more information refer to the Section 3 plan packet.

## **BUDGET**

The budget for your CDBG-DR project consists of several line items (such as labor, fringe benefits, contractual, materials, administration, etc.). During the Agreement negotiation process, your grant administrator may ask that the line-item budget submitted with your original funding proposal be modified and/or request clarification. Once we come to an agreement on the budget, it will be included in your Agreement.

## SUBRECIPIENT AGREEMENT TERM / PROJECT TIMELINE

The state must meet federal timelines for this program and request subrecipients to make every effort to develop a realistic and accurate project timeline. You will receive a negotiation letter from your grant administrator requesting you to submit a detailed project description, deliverables/goals, budget/budget narrative for your approved project. This information will be included in your Agreement.

## CIVIL RIGHTS

The CDBG-DR program is funded by the federal government, you (the subrecipient) must follow several civil rights requirements and procedures that come with all federal funds. These laws make it illegal for the state or its political subdivisions to discriminate in employment, places of accommodation, sale or rental of real property, and financing and credit practices because of race, religion, color, national origin, sex, handicap status, age, and marital/family status. Your acceptance of these requirements will be included in Appendix D of your Agreement. The best approach is to work with your grant administrator to ensure all the required policies and procedures are established. The civil rights requirements involved are outlined below. These are meant as an overview; we will provide additional information to you during the Agreement negotiation process.

**Equal Employment Opportunity / Affirmative Action Policy Resolution:** You must follow equal employment guidelines in advertising vacancies. This is for employment in general, not just for this project. We must be able to determine from your files the composition of your entire staff by sex, race, handicap status, and national origin. You must display EEO posters (we can provide these for you) where they can easily be viewed by all employees and potential employees. You must have a written EEO policy and/or affirmative action plan (most likely in your personnel policies). A sample policy will be provided for you.

**Fair Housing Resolution:** You must have a fair housing resolution stating, in part, that discrimination because of race, color, religion, sex, family status or national origin is prohibited in the sale, rental, leasing and/or financing of housing or land to be used for construction of housing, or in the provision of brokerage services. This policy is required even if your CDBG-DR project does not involve housing in any way.

**Policy of Nondiscrimination on the Basis of Handicapped Status:** You must have a policy which states that you (the subrecipient) do not discriminate on the basis of handicapped status in the admission or access to, or treatment of employment in its federally assisted programs or activities. You must designate a specific person who will coordinate compliance with these requirements.

**Residential Anti-displacement and Relocation Assistance Plan:** You must have a policy or plan that assures, in part, all occupied and vacant occupiable low/moderate-income dwelling units demolished or converted to another use in connection with use of CDBG-DR funds will be replaced.

**Americans with Disabilities Act (ADA):** You must certify that you will comply with the regulations, policies, guidelines, and requirements of the ADA as they relate to your application, acceptance, and use of funds for this project.

**The Alaska Human Rights Commission** is charged by law to enforce Alaska Human Rights laws. We encourage you to contact the Alaska Human Rights Commission if you have any questions or if you need assistance in reviewing your current procedures or establishing new ones to ensure [Human Rights](#) compliance.

Again, we will discuss these civil rights requirements with you in greater detail during the subrecipient negotiation process. At this point, it would be a good idea to review all your civil rights policies and become familiar with what is already in place. This will assist in the process of meeting any additional requirements and allow your project to start.

## DUPLICATION OF BENEFITS

The local government or organization must comply with HUD's requirements for duplication of benefits, imposed by the Federal Register notice(s) that govern the use of CDBG-DR funds available under the Agreement. Your local government or organization must conform and undergo a Duplication of Benefits (DOB) review, to conduct an individualized review of each applicant to determine that the amount of assistance will not cause a DOB by exceeding the unmet needs of that applicant. A violation will result in the local government or organization being denied reimbursement for expenses. **Warning:** Any person who knowingly makes a false claim or statement to HUD may be subject to civil or criminal penalties under [18 U.S.C. 287, 1001](#) and [31 U.S.C. 3729](#).

A review specific to each applicant is necessary because assistance available to each applicant varies widely based on individual insurance coverage, eligibility for various sources of assistance, and other factors. This includes all benefits available to a person or entity for the same recovery purpose, including cash and other resources such as insurance proceeds, grants, FEMA assistance, SBA loans, other local, state, or Federal program funds, and private or nonprofit organization funds.

Identify DOB Amount and Calculate the Total CDBG-DR Award:

The total DOB is calculated by subtracting non-duplicative exclusions from total assistance. Therefore, to calculate the total maximum amount of the CDBG-DR award, the grantee must: (1) Identify total need; (2) identify total assistance; (3) subtract exclusions from total assistance to determine the amount of the DOB; and (4) subtract the amount of the DOB from the amount of the total need to determine the maximum amount of the CDBG-DR award.

Two considerations may change the maximum amount of the CDBG-DR award.

**First**, the grantee may impose a program cap that limits the amount of assistance an applicant is eligible to receive, which may reduce the potential CDBG-DR assistance available to the applicant.

**Second**, the grantee may increase the amount of an award if the applicant agrees to repay duplicative assistance it receives in the future. Section 312(b) of the Stafford Act permits a grantee to provide CDBG-DR assistance to an applicant who is or may be entitled to receive assistance that would be duplicative if: (1) The applicant has not received the other assistance at the time the CDBG-DR grantee makes its award; and (2) the applicant agrees to repay the CDBG-DR grantee for any duplicative assistance once it is received. The agreement to repay from future funds may enable a faster recovery in cases when other sources of assistance are delayed (*e.g.*, due to insurance litigation). HUD requires all grantees to enter subrogation agreements with applicants that require applicants to repay duplicative assistance before receiving CDBG-DR assistance.

Duplication of Benefits will be tested in the activity process and in subsequent monitoring reviews and audit conducted by state and federal agencies. Failure to comply with DOB rules can result in repayment of the federal funds, and removal from the program.

## **SUBROGATION AGREEMENT**

Your local government or organization must agree to a limited subrogation of any future awards related to the 2018 Cook Inlet Earthquake to ensure duplication of benefits compliance. Assisted communities or organizations must agree to repay any duplicative assistance if they later receive other disaster assistance for the same purpose.

## **URGENT NEED**

In very rare circumstances, i.e., urgent, and emergent situations, your local government or organization may be authorized to expend funds in advance of completing the Agreement. These circumstances can be discussed with your grant administrator when the need arises.

## PART II SUBRECIPIENT AGREEMENT

### SIGNATURE

Your signature on the front of the Agreement constitutes acceptance of and agreement with all provisions in the document. It is very important that you are familiar with those provisions before signing this document.

### SCOPE OF WORK

Attachment A to the Agreement is called “Scope of Work.” It includes the following elements:

1. **Project Description:** This is a narrative description of the project, and includes some background information, the specifics of carrying out the project, population and low to moderate income (LMI) data, and eligibility data. Subrecipients are responsible for reviewing the prepared narrative before signing the Agreement. Your signature on the Agreement indicates that you agree with this narrative.
2. **Project Deliverables/Goals/Timeline:** This section includes activities required under the Agreement to be completed within the timeframes and performance goals associated with each activity. For example, when will the project start and when will the project be completed and how many low- to moderate income households will be served by the project.
- 3-4. **Project Budget and Budget Narrative:** This section includes the budget and a budget narrative, showing use of CDBG-DR funds, and the total project cost. Certain budget modifications can be made as the project progresses. These can be discussed with your grant administrator when the need arises.
5. **Project Management/Reporting:** This section outlines subrecipient management responsibilities including signatory authority requirements, separate accounting requirements, and reporting requirements.

### STANDARD PROVISIONS

When you sign your Agreement, you are certifying that you fully understand and will comply with the “Standard Provisions,” so it is very important that you read and become familiar with them. Everyone involved with the project on an administrative level should be familiar with these provisions. Some of these are of importance:

**Article 7. Reports:** “The Subrecipient, shall furnish the Department with periodic reports as it may request pertaining to the activities undertaken pursuant to this Agreement...”, When you sign this Agreement, you are agreeing in part to furnish the required reports under this Agreement. Failure to do so can be considered a breach of contract on the subrecipient's part.

**Article 15. Obligations Regarding Third-Party Relationships:** “...The Subrecipient shall remain fully obligated under the provisions of this Agreement notwithstanding its designation of any third party or parties of the undertaking of all or any part of the project described herein...” This means that if any of the work will be done by another agency (perhaps the Village Council, or a private consultant or contractor), you as the subrecipient will be held responsible for the terms of the

Agreement and the performance of the Agreement. If you choose to maintain a “hands-off” relationship to this Agreement, you are doing so at a considerable risk.

**Article 23. Recovery of Funds:** “In the event of a default or violation of the terms of the Agreement by the Subrecipient, the Department may institute actions to recover all, or part of the project funds paid to the Subrecipient. Repayment by the Subrecipient of CDBG-DR funds under this recovery provision shall occur within thirty (30) days of demand...” The only way to be sure you do not default or violate any of the terms of the Agreement is to be completely familiar with the terms of the Agreement. Failing to do so can result in having to pay back the CDBG-DR funds.

## **APPLICABLE LAWS AND REGULATIONS**

Appendix D of the Agreement deals with “Special Requirements and Assurances for Federally Funded Projects.” For each law listed, there is a summary of the content of that law. It is important that you read this list and the summaries and request additional information if you need clarification of any of the laws. **Remember, with your signature on this document you are certifying your compliance with these laws.**

## **AMENDMENTS (MODIFICATIONS)**

Each agreement has at least one amendment — the close-out amendment. Many agreements have other amendments as well. These can be done for many reasons, such as budget modifications, time extensions, changes in the scope of work, etc. During the agreement period, if you feel the agreement requires an amendment, you will need to provide a written request to your grant administrator, signed by the person who is authorized to sign the agreement. It is usually a good idea, however, to first contact your grant administrator by phone to discuss the amendment and make sure it is necessary and possible.

## **PUBLIC HEARINGS**

Prior to acceptance of your grant agreement, you are required to hold a public hearing (sometimes referred to as a “Town Hall Meeting”) for receiving the community’s comments on this project. A second public hearing must be held during the term of the project to review program performance. You must provide reasonable notice of the hearing, and it must be held at a time and location convenient to potential beneficiaries, with accommodations for the handicapped. Additionally, public hearings must be conducted in a manner to meet the needs of non-English speaking residents where a significant number of non-English speaking residents can reasonably be expected to participate. Additional public hearings may be required in the event of a substantial change in purpose, scope, location, or beneficiaries of the project. You must provide documentation of all public hearings related to the CDBG-DR activity in the form of meeting minutes or a Resolution submitted to your grant administrator.

# PART III

## PROCUREMENT AND CONTRACTING

### PROCUREMENT POLICY

You are required to follow fair and equitable procurement standards in the acquisition of all services, supplies, and materials. The grantee may use its own written procurement procedures provided that they conform to [2 CFR Part 200 Subpart D – Procurement Standards 200.318-327](#). If a procurement policy is already in place, you must determine whether it conforms to [2 CFR Part 200, Subpart D](#).

If you do not have an adopted procurement policy, you must follow applicable federal laws and the standards identified in [2 CFR Part 200.318-327](#).

*For assistance in developing and adopting a procurement code contact your [DCRA local government specialist](#).*

### METHODS OF PROCUREMENT

Your procurement methods must be in accordance with the federal requirements of [2 CFR 200.320](#). Below outlines the four procurement methods that you should use to procure materials, supplies, construction and services based on the type of procurement.

#### **Procurement By Small Purchase:** [2 CFR 200.320\(a\)\(2\)](#)

(i) ***Small purchase procedures.*** The acquisition of property or services, the aggregate dollar amount of which is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the city/borough.

(ii) ***Simplified acquisition thresholds.*** The city/borough is responsible for determining an appropriate simplified acquisition threshold based on internal controls, an evaluation of risk and its documented procurement procedures which must not exceed the threshold established in the Federal Acquisition Regulations. When applicable, a lower simplified acquisition threshold used by the city/borough must be authorized or not prohibited under State, local, or tribal laws or regulations.

**The small purchases procedures should not be used to acquire construction contractors.**

#### **Procurement By Sealed Bids (Formal Advertising):** [2 CFR 200.320\(b\)\(1\)](#)

Sealed bids should be used for goods costing more than \$250,000 and **all construction contracts**. Bids are publicly solicited and a firm fixed-price contract (lump sum or unit price- see below) is awarded to the responsible bidder whose bid, conforming to all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction.

#### **Procurement By Competitive Proposals:** [2 CFR 200.320\(b\)\(2\)](#)

Competitive proposals are used to purchase professional services where the total cost will exceed \$250,000. The grantee must publish a written request for submissions and then review these



submissions based on established selection criteria. The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed-price or cost-reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids.

**Procurement By Noncompetitive Proposals:** [2 CFR 200.320\(c\)](#)

Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source, or after solicitation of a number of sources, competition is determined inadequate. **Municipalities must obtain approval from their grant administrator prior to using this procurement method.** A letter shall be submitted to the CDBG grants administrator requesting to use this procurement method. Procurement by noncompetitive proposals may be used **only** when the award of a contract is infeasible under small purchase procedures, sealed bids, or competitive proposals and one of the following circumstances applies:

1. The item is available only from a single source.
2. The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation.
3. The awarding agency authorizes noncompetitive proposals.
4. After solicitation of a number of sources, competition is determined inadequate.
5. Cost analysis (*i.e.*, verifying the proposed cost data) the projections of the data, and the evaluation of the specific elements of costs and profits, is required.

## **CREATING, ADVERTISING, AND OPENING BIDS**

[2 CFR 200.320](#) provides specific requirements that must be followed when bid packages are created and advertised, in addition to the required steps to take to conduct bid openings. Your grants administrator will provide a CDBG Supplemental Conditions checklist to be included in your bid documents.

## **NOTICE OF CONTRACT AWARD**

Once a contractor has been selected using the appropriate solicitation method, the grantee must submit a Notice of Contract Award to the grant administrator for all prime contracts. Along with the Notice of Contract Award, the grantee must send a certified and itemized bid tabulation for sealed bids, which is a listing of bidders and bid amounts for the project.

## **PREPARATION OF A CONTRACT**

A grantee's contract must contain provisions of bonding requirements [2 CFR 200.326](#) of the federal regulations.

# PART IV MANAGEMENT, REPORTING, AND RECORDKEEPING REQUIREMENTS

## FINANCIAL MANAGEMENT

Attachment A, Scope of Work, Number 4 of your agreement reads in part, “*The Subrecipient must establish and maintain separate accounting for the use of CDBG-DR funds.*” Separating CDBG-DR funds from other general and grant funds will help ensure that you receive reimbursements for all your agreement expenses. Prior to requesting your first CDBG-DR reimbursement, you should establish coding in your financial system specific to this Agreement.

## REPORTING

You are required to submit a Financial/Progress Report form each month, even if there are no expenditures. A progress report narrative is required even if there are no expenditures, providing us milestones achieved/to be achieved, any significant problems, issues, or concerns, timely accomplishments, and delays. Your grants administrator will email an electronic version of the Financial/Progress Report form with your executed grant agreement.

In addition to the Financial/Progress Report form, you must submit records supporting all expenditures. These records include invoices, bills, receipts, copies of checks, certified payrolls, signed time sheets, payroll checks, and fringe benefit payment records.

This agreement is **cost reimbursable**, meaning you pay for expenditures out of your own funds and then request reimbursement through a Financial/Progress Report form. Once your grant administrator receives a complete report and approves it for payment, it is forwarded on to our fiscal office for processing. Upon receipt of the approved report, payments are required to be issued to the subrecipient within 30 days.

Any necessary and reasonable costs identified in the agreement scope of work are generally allowable and can be submitted for reimbursement. Any questions regarding allowable expenditures should be discussed with your grant administrator prior to purchase. Disallowed expenditures, *i.e.*, unnecessary, and unreasonable or prohibited expenditures, will not be reimbursed with CDBG-DR funds in accordance with [2 CFR 200.400](#), Sub Part E - Cost Principles.

## ELECTRONIC FUNDS TRANSFER AND PAYMENT INQUIRY

Subrecipients may qualify for direct deposit of their reimbursement payments if their banking institution participates in the State Electronic Data Interchange (EDI) system. If you are not currently enrolled in the EDI system, then it is necessary to complete the Electronic Payment Agreement Form. Any payments issued by the State of Alaska will be deposited into the established account. This form is available online at: [http://doa.alaska.gov/dof/forms/resource/EDI\\_agreement.pdf](http://doa.alaska.gov/dof/forms/resource/EDI_agreement.pdf). Once enrolled, this website also provides the option to inquire about payments made from the State of Alaska to your established account.

## RECORDKEEPING REQUIREMENTS

Keeping organized project files is a vital component of agreement administration and cannot be over-emphasized. It is important for each agreement to have its own file with the title and agreement number clearly labeled. It is important to keep files neat, organized, and up to date to easily access information.

At a minimum, all files must contain the agreement and financial/progress reports with back-up documentation. Other important documents must be kept in the agreement file or easily accessible. We recommend your files contain the following sections, as applicable:

- A. Subrecipient Agreement
- B. Documents
- C. Correspondence
- D. Contract Solicitation
- E. Labor Standards
- F. Financial/Progress Reporting

Listed below are suggested items which might be kept in each agreement section or file. The items listed below are not meant to be exclusive and are provided as a guide only:

- A. Subrecipient Agreement Section
  - Subrecipient Agreement
  - Amendments
  - Closeout Amendment
  - Funding Proposal
- B. Documents Section
  - Copy of Authorized Signers Form Submitted to DCRA
  - Complaint Process
  - SAM Certification
  - SAM debarment documentation
  - Insurance
  - Site Control
  - Environmental Review
  - Civil Rights
- C. Correspondence Section
  - Letters from your grant's administrator
  - Letters you sent to your grant's administrator
  - Emails/Faxes sent or received related to the agreement project
  - Correspondence between contractors and you
  - Telephone contact sheet which documents all phone calls received and placed related to the Agreement project
- D. Procurement and Contract Solicitation Section, if applicable
  - Procurement process approval
  - Request for Proposal (RFP) and supporting documentation
  - Bids/price quotes received
  - Selection justification
  - Bid Award Notice/Letter
  - Notice to Proceed
  - Signed Contracts
  - Section 3 Plan and reports
  - Permits
  - Construction Certification of Completion

- E. Labor Standards Section, if applicable
  - Davis Bacon Wage Determination
  - Certified weekly payrolls
  - Record of worker interviews
  - Record of complaints against contractors and subcontractors
  
- F. Financial/Progress Reporting Section
  - Copies of signed financial/progress reports sent to DCRA
  - Back-up documentation to support the requests for reimbursements.
    - a) Invoices, payment request forms, copies of checks
    - b) Travel related forms and receipts
    - c) Copies of deposit slips or proof of electronic payment

Once you have completed your project and you have received a closeout amendment from your grant administrator, keep the file and its contents indefinitely.

## **FORCE ACCOUNT LABOR**

You must keep detailed records. Information must be maintained about the employee (age, race, sex, handicap status and income level), the position (job description, hours, and wage), as well as standard payroll records (signed time sheets for each employee, hours worked, tax information, evidence of payment, etc.). If an employee is working on multiple projects, detailed records must be kept showing the employee's division of time on the CDBG-DR project and any other projects. As discussed in the civil rights section of this handbook (pages 13 and 14), you must also have in place all the necessary policies concerning employment and post the required notices where employees can see them. You will be asked to provide copies of these policies to your grant administrator.

## **CONTRACTED LABOR**

You must obtain and keep copies of all the contractor's/subcontractor's certified weekly payroll. You will also be required to conduct periodic employee interviews to be certain the employees are being treated and paid fairly.

## **SECTION 3**

Section 3 is a Housing and Urban Development (HUD) requirement which applies to recipients receiving financial assistance exceeding \$200,000. The Grantee and any contractors/subcontractors are required to comply with the Section 3 regulation; [24 CFR Part 75](#). Clause must be included in all contracts or subcontracts related to the Grantee's Project. The Grantee shall submit a Section 3 Compliance Worksheet to the Department semi-annually.

## **PROCUREMENT**

Regardless of the method used, you must keep records of all the purchases. Purchases include goods (materials, equipment, supplies, fuel, etc.) and services (freight, consulting, water testing, etc.). These records must include (but are not limited to) reasons for the procurement method chosen, reason for the selection/rejection of bidder, and the basis for the cost or price. You must also establish and follow procedures to ensure that your successful bidder fulfills its promises.

## **BENEFICIARIES**

The state is required to collect data pertaining to the race, sex, and national origin of CDBG-DR beneficiaries, as well as their income status. For local infrastructure projects, we will get this information from the census data. If your project is meeting the LMI benefit test in some other way *i.e.*, Low to Moderate Income Housing (LMH), you will be required to collect and submit this data about your project's beneficiaries.

## **PART V**

# **MONITORING VISIT**

Each project carried out with CDBG-DR funds must be monitored during the Agreement cycle. Your grant administrator will work with you to arrange a monitoring visit. This visit will be conducted to ensure the subrecipient is complying with agreement stipulations.

We will be checking files primarily for compliance in the areas of environmental review, labor standards, procurement/purchasing methods, and civil rights (EEO, affirmative action, fair housing, etc.). We will be looking at the project itself and taking photos for our files.

During our visit, we will expect you to be available to us to answer any questions we may have. If your project has a foreman, a consultant, a contractor — anyone involved in the project on an administrative level — we will want to talk to that person as well.

As a subrecipient, having organized and easily accessible files will help ensure the visit goes smoothly. Keeping your files according to the method laid out on pages 16 and 17, or in any other well-labelled and organized fashion, will make it easier for the grant administrator to find all necessary information quickly.

If your grant administrator finds any areas of your file keeping or project management that need improvement, technical assistance will be provided to ensure compliance with agreement requirements moving forward. All findings will be revisited and monitored closely.

## PART VI CLOSE-OUT

### TYPES OF CLOSE-OUT

The final act of your agreement will be the close-out. Agreements are usually closed out by agreement, but there are other methods of closing an agreement. Descriptions of these various methods follow and are excerpted mostly from the Agreement itself (Attachment C - Standard Provisions).

**Close-Out:** Normally, the project is completed in compliance with the agreement, and usually all the funds are expended, accounted for, and reimbursed. Your grant administrator will send you a close-out amendment (discussed below) to formally close out the agreement. Additional reporting other than the audit may be required after the agreement is closed out, *i.e.*, LMI documentation for LMH.

**Administrative Close-Out:** If the subrecipient does not sign and return the close-out amendment, as requested, the Department will execute an administrative close-out, effectively closing the agreement without your concurrence.

**Termination by Mutual Agreement:** The agreement may be terminated, in whole or in part, prior to the completion of the project activities when both parties agree that continuation is not feasible or would not produce beneficial results. The parties must agree on the termination conditions, including effective date and the portion to be terminated. The subrecipient shall not obligate any funding for the terminated portion after the effective date and shall cancel outstanding obligations when possible.

**Termination for Cause:** If the subrecipient fails to comply with the terms of this agreement, or fail to use the agreement for only those purposes for which it was intended, the Department may take the following actions:

- A. Suspension: Suspend the agreement and withhold any further payment or prohibit the subrecipient from incurring additional obligations of CDBG-DR funds, pending corrective action by the subrecipient or a decision to terminate.
- B. Termination: Terminate the agreement in whole or in part, at any time before the final agreement payment is made.

### CLOSE-OUT AMENDMENT

As noted above, at the end of the project your grant administrator will send you a close-out amendment. The amendment includes a close-out statement of compliance regarding the performance of the grant and the expenditure of the grant funds. This amendment, when signed by both parties and approved by the Department, serves to officially close out your grant agreement.

### RECORDS RETENTION

Attachment C, Article 8 of your agreement requires you to retain financial and other records relating to the performance of your agreement permanently. Records will also be necessary for final resolution of any audit findings, claims, or litigation related to the agreement.

# PART VII

## AUDIT

### WHAT IS AN AUDIT?

An audit is a financial examination of your accounts, internal control systems, procedures, programs, policies, operations and financial representation of a grantee, community, or other organizations. Audits are required to be completed in terms of state or federal regulations and are conducted by independent Certified Public Accountants (CPAs). An auditor's report includes an opinion on the fair presentation of the financial statements and your compliance with state and federal laws and regulations.

During an audit, the auditors will examine your accounting records and program documentation. The auditors will select certain receipts and expenditures of funds to see if they were properly recorded in your accounting system. Furthermore, program documentation is reviewed to determine your compliance with laws, regulations, and grant conditions. Based on the audit examination, the auditors will prepare an audit report. The report will present your financial statements which include the balance sheet statement of revenues and expenditures, and the changes in fund balances.

Additionally, the auditors will express their opinion whether you were in compliance with state and federal laws, regulations and grant contract compliance.

### WHAT TYPES OF AUDITS ARE THERE?

There are several different types of audits that can be performed by a CPA. Each type of audit is performed for different purposes. We will discuss the two that apply to this program.

**Federal and State Single Audits:** A single audit is required by federal and state regulations for those organizations that expend more than \$750,000 of state or federal funds in your fiscal year. Under a single audit, the auditor's work is similar to that in a financial audit, but they conduct additional program compliance work as well. The compliance aspect of the audit is focused on your conformity with regulations, laws, and contract provisions.

**Program Specific Audit:** A program specific audit may be required of you if only one federal award was received during your fiscal year. If you have received federal funds from multiple sources or agencies (*i.e.*, federal pass-through grant), you would not be eligible for this type of audit. The scope of the program specific audit consists of reviewing the program activities in terms of economy, efficiency, effectiveness, compliance with grant contract provisions and compliance with laws and regulations.

### WHAT ARE FEDERAL SINGLE AUDIT REQUIREMENTS?

Cities, communities, and other organizations receive federal funds either directly from a federal agency or a pass-through agency such as the State of Alaska. The federal CDBG program is one example of pass-through funding. As stated earlier, when organizations expend more than \$750,000 of federal funding, they are required to have a federal single audit completed.

The federal CDBG funds are subject to U.S. Office of Management and Budget [2 CFR Part 200.500 Subpart F – Audit Requirements](#).

To determine whether a federal single audit should be completed, you will need to determine the total amount of federal funds expended in your fiscal year. This includes all federal grants or other funds received



from any federal agency. The list of federal agencies includes, but is not limited to, Bureau of Indian Affairs, U.S. Public Health Service, U.S. Department of Transportation, U.S. Economic Development Administration, U.S. Housing and Urban Development, and U.S. Environmental Protection Agency.

By signing the grant agreement, you are agreeing to follow the audit requirements of the federal government and the State of Alaska, and to allow the Department and independent auditors to have access to the organization's financial records.

## **WHERE ARE AUDIT REPORTS SUBMITTED?**

The Division of Finance is the state's coordinating agency for Federal and State Single Audits. The Single Audit Coordinator is responsible for ensuring grantees submit required single audits, reviewing the audit reports and distributing the reports to appropriate agencies. In most cases, the final audit report must be submitted to the Division of Finance within nine months after the end of the organization's fiscal year end. Audit questions should be directed to the Single Audit Coordinator at (907) 465-4666.

Send your completed audit reports to:

**Alaska Department of Administration**  
Division of Finance  
Attn: Single Audit Coordinator  
P.O. Box 110204  
Juneau, AK 99811-0204