

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

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**Subrecipient Introductory  
Handbook**



**State of Alaska**

**Department of Commerce, Community, and Economic Development**

**Division of Community and Regional Affairs**

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# FOREWORD

**The Good News . . .** Congratulations! Your local government or organization 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 . . .** As you look through this handbook, you may be wondering if it is or was worth it! The regulations that come with this program can be overwhelming. You will be working with both the federal and state governments, and are required to follow rules and regulations from both. Adhering to these rules and regulations is critical to the successful completion of your 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:** 269-4252 [anita.baker@alaska.gov](mailto:anita.baker@alaska.gov)

**Vacant:** 269-XXXX [xxxxx.xxxxx@alaska.gov](mailto:xxxxx.xxxxx@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 III, in the Fairbanks office at 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 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 \$1,143,400 or 5% for State Administration and \$4,302,720 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, Home Repair 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 and the 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.

### 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). In the interest of furthering federal spending transparency, the subaward information entered in the FSRS will then be displayed on [www.USASpending.gov](http://www.USASpending.gov) and will be associated with the state’s total award.

All recipients are required to have or obtain a Dun and Bradstreet (DUNS) number and to register with the Central Contractor Registration (CCR). If you do not have a current DUNS # and CCR, there is information about how to obtain a DUNS # and how to register your

organization under the Central Contractor Registration online at: <http://www.sam.gov> and <http://www.dnb.com>. Please begin this process right away. The DUNS # and CCR will need to be kept current throughout the term of the Agreement.

## 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.

Most of this section is excerpted from “**Capital Project Management, a Guidebook to Help Communities Prepare for Construction Projects,**” published by the former DCRA's Municipal and Regional Assistance Division (MRAD). Why? Because they are the experts when it comes to site control.

The 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 address of the District Recorder's office serving any given community may be obtained from the State Recorder's Office:

**State Recorder/Administration**  
550 W. 7th Ave, Ste 1210  
Anchorage, AK 99501-3564  
(907) 269-8882  
Fax: (907) 269-8912

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

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. These 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.

Since this is a large subject, we will not go into detail in this handbook — there will be plenty of opportunities for that later. However, there are two important considerations here:

1. We (your grant administrators) understand this stuff, and will help with the paperwork in any way we can;
2. The process takes up to 60 days to complete so your entire project timeline depends on how quickly we get started on the environmental review process. Once again, work cannot begin and money cannot be spent before this process is completed.
3. In the meantime, you may conduct activities which are categorically excluded from NEPA review. For example, you may conduct additional market research, promote your program, accept applications for assistance, issue solicitations, and establish policies, procedures, and systems.

## 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 fully effective on April 22, 2010. This rule requires that all contractors and vendors performing renovation, repair and painting projects that disturb lead-based paint in homes, child care facilities, and schools built before 1978 be certified and must follow specific work practices to prevent lead contamination. Renovations is 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. Additional information is available via the internet at

[https://www.hud.gov/program\\_offices/healthy\\_homes/enforcement/disclosure](https://www.hud.gov/program_offices/healthy_homes/enforcement/disclosure).

## 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(ies) to talk to regarding those permits.

### State of Alaska

#### Department of Environmental Conservation

Northern Regional Office	Southcentral Regional Office	Southeast Regional Office
610 University Avenue	555 Cordova Street	410 Willoughby Ave., Suite 303
Fairbanks, AK 99709-3643	Anchorage, AK 99501	Juneau, AK 99801-1795
(907) 451-2100	(907) 269-7633	(907) 465-5066

## INSURANCE

You (the subrecipient) may not start work on a project until you have obtained all the insurance required to protect project workers, the public, and your own interests. Insurance can be obtained from many different sources. You should shop around for bids from several companies to get the best coverage for the best price. Listed below are the types of insurance that are required, as well as some policies that are optional depending upon the local government's 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 must be able to show proof of this 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.

## **PROCUREMENT STANDARDS**

You are required to establish procurement policies and procedures based on full and open competition consistent with the requirements of 24 CFR 570.489(g). This includes an evaluation of cost or price of all services, supplies, and materials. Procurements must conform to applicable Federal law and regulations.

The regulation governing procurement is subject to U.S. Office of Management and Budget 2 CFR Part 200 Subpart D – Procurement Standards 318-326.

You may use whichever of the following procurement methods applies:

*U.S. General Services Administration (GSA)'s Disaster Purchasing Program* — Allows state and local governments to buy supplies and services directly from all GSA Schedules to facilitate disaster preparation, response, or major disaster recovery.

*Small Purchase Procedures* — Relatively simple, informal procurement methods for obtaining services, supplies or other property which do not cost more than \$250,000. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

*Competitive Sealed Bids* — Through formal advertising, sealed bids are publicly solicited and a firm-fixed price contract is awarded to the responsive bidder whose bid, conforming with all material terms and conditions of the invitation for bids, is the lowest price.

*Competitive Proposals* — 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.

*Noncompetitive* — Noncompetitive negotiations may be utilized only under very limited circumstances. Must document that other methods were not feasible by: item or service was only available from single source; public emergency or condition requiring urgency existed which did not permit the use of competitive procurement; competition is determined to be inadequate after receiving proposals from numerous resources.

Regardless of the method used, you must keep records of all your purchases. 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 for making sure that your successful bidder fulfills its promises.

## **HUD REFORM**

As part of the new HUD Reform Act (24 CFR Part 12, et al), which is designed to ensure greater accountability and integrity in the way in which HUD makes assistance available under its programs, we must require that you fill out and submit a HUD Applicant/Recipient Disclosure/Update Report. This report, and specific instructions for filling it out, will be sent to you by your grant administrator. This is another requirement which must be completed *prior* to incurring any costs or expending any CDBG-DR funds.

## LABOR STANDARDS

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

**FORCE ACCOUNTING** is a term describing a construction project in which a local government or organization (you, the subrecipient) 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 project, workers are hired directly by the local government as employees. The local government or organization bears the final responsibility for hiring and firing employees, setting wages, paying wages and making appropriate payroll deductions. Using the force accounting method is usually 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 if to use force accounting for a construction project. The first is if the local government or organization can handle the technical aspects and labor requirements of the project. The second is if the local government or organization, 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 before starting a force account project. One of the major benefits of force accounting is the opportunity to employ and train residents. A local government or organization should evaluate the size and talents of the resident labor force to determine what part of the job can be done by local people, and how many people will need to be hired from outside the community.

**DAVIS-BACON CONTRACTED WAGES** apply when a subrecipient chooses to contract out an entire project, without using force accounted labor. The Davis-Bacon Act does **NOT** apply to new construction and rehabilitation of housing with 1-8 dwelling units. Labor in this case falls under several federal laws; the three basic applicable laws are the **Davis-Bacon Act**, the **Copeland AntiKickback 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 contact you with a comprehensive manual of requirements and guidelines to assist you in fulfilling all the conditions associated with this type of construction.

Once you have selected the contractor to whom you want to award the contract, and before signing the contract, you must verify that the contractor is not ineligible (i.e., debarred) from participation in Federal programs. The U.S. General Services Administration maintains a list of contractors that have been found in violation of the labor standards or other federal requirements and therefore have been declared ineligible for participation in federally-assisted construction projects. To verify that the contractor is not debarred do a search on-line at <https://www.sam.gov>.

The State of Alaska also maintains a list of entities debarred from bidding or working on public construction projects within Alaska. That list can be accessed on-line at <http://labor.state.ak.us/lss/debarments.htm>.

## **THE BUDGET**

The budget for your CDBG-DR project consists of several line items (such as labor, fringe benefits, contractual, materials, administration, etc.). You may want to obtain estimates and/or quotes. Don't forget the shipping costs. With more details, your budget will be more accurate. During the Agreement negotiation process, your grant administrator may ask that the line item budget that you submitted with your original funding proposal be modified. The finished project budget should be as accurate as possible. Once we come to an agreement on the budget, it will be included in your Agreement.

## **SUBRECIPIENT AGREEMENT TERM / PROJECT TIMELINE**

You were asked to submit a timeline with your funding proposal. When your project was awarded, that timeline most likely was only a guideline, and will need further refinement before your Agreement can be written. Several factors of which you may not have been aware (such as environmental review) could move the start date of the project. Your grant administrator may ask you to submit a revised timeline for the project during the Agreement negotiation process. It is important that you be as realistic and accurate as possible in producing this timeline. Due to federal timelines which the state must meet in the delivery of this program, we make every effort, and request subrecipients to make every effort, to keep the project timeline within 12 to 24 months of the time of award.

## **CIVIL RIGHTS**

Because the CDBG-DR program is funded by the federal government, you will be asked to follow several civil rights requirements and procedures that come with all federal funds. Basically, 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 in making sure all the required policies and procedures are established. The civil rights requirements involved are outlined on the following page. 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 within your labor force. 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 included 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 also 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, that you will replace all occupied and vacant occupiable low/moderate-income dwelling units demolished or converted to another use in connection with use of CDBG-DR funds.

**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 speed up the process of meeting any additional requirements, and allow your project to start sooner.

## **SECTION 3**

Section 3 of the Housing and Urban Development Act of 1968, as Amended by the Housing and Community Development Act of 1992 (12 U.S.C. 1701u) (24 CFR Part 75) applies to projects involving the construction or rehabilitation of housing (including reduction of lead-based paint hazards), or other public construction such as community facilities, street repair, sewage line repair or installation, updates to building facades, etc.

Section 3 is a provision that helps promote local economic development and individual self-sufficiency. The Section 3 program requires that recipients of certain HUD financial assistance, which includes CDBG-DR funds, to the greatest extent feasible, opportunities for training, employment, and other economic opportunities be given to low- and very low-income residents about projects and activities in their community.

The requirements of Section 3 apply to recipients of \$200,000 or more. Contractors or subcontractors that receive contracts more than \$200,000 for Section 3-covered projects are also required to comply with the Section 3 regulations.

To ensure compliance with Section 3 policies you will be responsible to:

- Notify the Section 3 residents in your community of employment and contracting opportunities.
- Facilitate employment and training of Section 3 residents.
- Incorporate the Section 3 Clause in all contracts issued.
- Inform contractors of the Section 3 requirements.
- Assist contractors with compliance of Section 3 requirements.
- Document and report compliance actions.

## **DUPLICATION OF BENEFITS**

Your local government or organization must identify all applications for federal grants and verify that CDBG-DR funds will be not used for a project that is reimbursable by the Federal

Emergency Management Agency (FEMA), the Army Corps of Engineers (USACE), insurance, or another source due in part to the restrictions against duplication of benefits.

The local government or organization shall not carry out any of the activities under the Agreement in a manner that results in a prohibited duplication of benefits as defined by Section 312 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 USC 5155) and described in the Appropriations Act. 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. A violation will result in the local government or organization being denied reimbursement for expenses.

## **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

### The Subrecipient Agreement

#### SIGNATURE

Your signature on the front of this document 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.

#### 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 6. 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 13. 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 the ARDOR, 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 21. 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.

## SCOPE OF WORK / BUDGET

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

**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.

**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.

**Goals and Timeline** — This section includes the goals and the timeline for the project. For example, how many low- to moderate income households and how many total households will be served by this project. For example, when will the project start and when will the project be completed.

**Project Management/Reporting** — This section outlines subrecipient management responsibilities including signatory authority requirements, separate accounting requirements, and reporting requirements.

**Forms Packet** — Samples of monthly reporting forms. If you would like electronic copies of these forms, contact your grant administrator.

## 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 (1) necessary, and (2) possible.

## **PUBLIC HEARINGS**

Prior to acceptance of your funding proposal, you were required to hold a public hearing (sometimes referred to as a “Town Hall Meeting”) for reviewing the community’s needs and electing to seek CDBG-DR funding for 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 submitted to your grant administrator.

## PART III

### 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. The progress report section of the form should be completed each time, even if there is no activity. Electronic versions of the form are available from your grant administrator upon request.

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.

## ELECTRONIC FUNDS TRANSFER AND PAYMENT INQUIRY

Some 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 the 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 about your Agreement.

If you decide to offer a program which provides direct assistance to Beneficiaries, then you will need to establish a secure System of Records with an online application similar to the Alaska Permanent Fund Dividend portal. This portal should provide real-time application status and a message center for communicating with the applicant.

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. The Subrecipient Agreement Section
  - Funding Proposal
  - Subrecipient Agreement

- Amendments
- Closeout Amendment

B. The Documents Section

- Copy of Authorized Signers Form Submitted to DCRA
- Complaint Process
- Debarment Form
- Insurance
- Site Control
- Environmental Review
- DUNS Certification
- Civil Rights

C. Correspondence Section

- Letters from your grants administrator
- Letters you sent to your grants administrator
- Emails sent or received related to the Agreement project
- Faxes you 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. Contract Solicitation Section, if applicable

- Signed Contracts
- Section 3
- Request for Proposal (RFP)
- Selection Justification
- Bids/Price Quotes submitted
- Bid Award Notice/Letter
- Notice to Proceed
- 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 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.

## LABOR

When any **force account labor** is involved, the local government or organization serves as the contractor and constructs a project “in-house” using local labor. In a force account project, workers are hired directly by the local government or organization as employees. The local government or organization bears the final responsibility for hiring and firing employees, setting wages, paying wages, purchasing materials, and all aspects of construction. You must keep *very* detailed records. Information must be maintained about the employee (age, race, sex, handicap status and income level), about 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 12 and 13), you must also have in place all the necessary policies concerning employment, and you must post certain notices where employees can see them. You will be asked to provide evidence of these policies to your grant administrator.

When your project involves the use of **contracted labor and services**, you must comply with the Davis-Bacon Wage Act and other federal labor standards requirements. When projects are contracted out, the contractor, not the local government or organization, is responsible for hiring and firing employees, determining wages, paying wages, purchasing materials, and all aspects of construction which are part of the contract. You must obtain and keep copies of all 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. If your project is using Davis-Bacon labor, we will provide you with detailed information regarding the required procedures and your responsibilities.

## **PROCUREMENT**

Several procurement methods were discussed earlier in this handbook (pages 8 through 9). Regardless of the method used, you must keep records of all the purchases related to this Agreement. This applies to purchases made with CDBG-DR funds. “Purchases” includes goods (materials, equipment, supplies, fuel, etc.) and services (freight, consulting, water testing, etc.). Your 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 for making sure that your successful bidder fulfills its promises. These records can be combined with your invoices file in your financial records.

## **JOB CREATION**

One method of meeting the LMI benefit test for a CDBG-DR project is through job creation. When an application is funded based on job creation, detailed records must be kept fulfilling that requirement. The recordkeeping period may extend well beyond the termination of the Agreement itself. If these records are not kept, there is no proof that the project was eligible, and all funds expended for the project can be recovered (the subrecipient will have to pay them back to the state). Most of the CDBG-DR Agreements are not based on job creation. If yours is, we will contact you with information about your recordkeeping and reporting responsibilities pertaining to job creation.

The U.S. Department of Housing and Urban Development (where CDBG-DR funds come from) requests information from the state about jobs created with CDBG-DR funds. The state also uses this information in several required reports to the Governor and the Legislature. Therefore, even if your project is not based on job creation, we may ask that you maintain some job creation records. The difference in this case is that your eligibility is not based on the creation of these jobs.

## **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), we will ask you to collect and submit this data about your project’s beneficiaries.

## **PART IV**

### **The Monitoring Visit**

Each project carried out with CDBG-DR funds must be monitored at least once per Quarter 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 18 and 19, 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, your grant administrator will provide technical assistance to ensure compliance with Agreement requirements moving forward. All findings will be revisited and monitored closely.

## **PART V**

### **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 A - Standard Provisions).

**Normal Close-Out:** Normally, the project is completed in compliance with the Agreement, and usually all the funds are expended, accounted for, and reimbursed. To “tie things up” your grant administrator will send you a close-out amendment (discussed below) to formally close out the Agreement. Occasionally (as with job creation) additional reporting other than the audit will be required after the Agreement is closed-out, but for the most part, the Agreement is a done deal at this point.

**Administrative Close-Out:** If the subrecipient does not sign and return the close-out amendment, as requested, the Department can do an administrative close-out, effectively closing the Agreement without the subrecipient’s concurrence.

**Termination by Mutual Agreement:** The Agreement may be terminated, in whole or in part, prior to the completion of contract 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 incur new obligations for the terminated portion after the effective date, and shall cancel as many outstanding obligations as possible.

**Termination for Cause:** If the subrecipient fails to comply with the terms of this Agreement, or fails 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 (usually) your grant administrator will send you a close-out amendment. This amendment, when signed by both parties and approved by the Department, serves to officially close out your Agreement. It consists of three pages — the narrative page, the budget page, and the audit questionnaire/checklist.

The narrative page includes the subrecipient name, project title, subrecipient agreement number, effective date of the amendment, and signature blocks for both the subrecipient and the Department. Additionally, it states whether the budget is being modified in the event funds were left over.

The budget page also contains the subrecipient name, project title, and subrecipient agreement number. It also contains a budget like the one in your Agreement, showing the current budget, the modification amount (if any) and the revised budget.

## **AUDIT QUESTIONNAIRE / CLOSE-OUT CHECKLIST**

The third page of the close-out amendment is a checklist with various questions regarding the performance of the subrecipient and the expenditure of the CDBG-DR funds. It also contains questions regarding audit requirements. This form requires signatures both by the subrecipient and the Department.

## **RECORDS RETENTION**

Attachment C, Article 7 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.

## **AUDITS**

**What is an Audit?** An audit is a financial examination of the subrecipient's accounts, internal control systems, procedures, programs, policies, operations and financial representation of a local government 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 the subrecipient's compliance with state and federal laws and regulations.

During an audit, the auditors will examine the subrecipient's accounting records and program documentation. The auditors will select certain receipts and expenditures of funds to see if they were properly recorded in the subrecipient's accounting books. Furthermore, program documentation is reviewed to determine the subrecipient's compliance with laws, regulations and Agreement conditions. Based on the audit examination, the auditors will prepare an audit report. The report will present the subrecipient's 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 the subrecipient followed state and federal laws, regulations and Agreement.

**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 only those 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 the subrecipient's fiscal year. Under a single audit, the auditor's work is like that in a financial audit, but they conduct additional program compliance work as well. The compliance aspect of the audit is focused on the subrecipient's conformity with regulations, laws and contract provisions.

**Program Specific Audit -** A program specific audit may be required of a subrecipient if only one federal award was received during the subrecipient's fiscal year. If a subrecipient has received federal funds from multiple sources or agencies (i.e. federal pass-through grant), a subrecipient 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 Agreement provisions and compliance with laws and regulations.

**What are Federal Single Audit Requirements?** Local governments 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-DR program is one example of pass-through funding. As stated earlier, when organizations expend more than \$750,000 of federal funding, they may be required to have a federal single audit completed.

The federal CDBG-DR funds are subject to U.S. Office of Management and Budget 2 CFR Part 200 Subpart F – Audit Requirements.

To determine whether a federal single audit should be completed, the subrecipient needs to determine the total amount of federal funds expended in the subrecipient's fiscal year. This includes all federal grants or other funds received from any federal agency in addition to the U.S. Department of Housing and Urban Development. The list of federal agencies includes, but is not limited to, U.S. Department of Homeland Security (Federal Emergency Management Agency), U.S. Department of Agriculture, U.S. Department of the Interior (Bureau of Indian Affairs), U.S. Public Health Service, U.S. Department of Transportation, U.S. Economic Development Administration, and U.S. Environmental Protection Agency.

By signing the Agreement, the subrecipient is 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 subrecipients 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**