

RESOLUTION NO. 2024-R-18

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EDGEWATER, FLORIDA ADOPTING AND UPDATING THE CITY'S POLICY RELATING TO CITY FINANCIAL MANAGEMENT PROCEDURES FOR USE IN ADMINISTERING COMMUNITY DEVELOPMENT BLOCK GRANTS; PROVIDING DEFINITIONS; DEFINING AN ACTION PLAN; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City Council of the City of Edgewater on September 12, 2022 adopted Resolution 2022-R-28, a policy regarding financial management under the City's Community Development Block Grants (CDBG) programs, and

WHEREAS, the City Council of the City of Edgewater desires to update its policy regarding financial management under the City's Community Development Block Grants (CDBG) programs, and

WHEREAS, the City Council of the City of Edgewater recognizes the need to update a plan for financial management under the City's Community Development Block Grant (CDBG) programs;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Edgewater Florida:

Section 1. The City Council hereby amends the City of Edgewater CDBG Financial Management Policy, a copy of which is attached and incorporated herein as Exhibit "A"

Section 2. All conflicting purchasing policies are superseded by this policy.

Section 3. All resolutions or part of resolutions in conflict herewith are hereby repealed.

Section 4. This resolution shall take effect upon adoption.

PASSED AND DULY ADOPTED this ____ day of _____, 2024

Diezel Depew, Mayor

ATTEST:

Bonnie Zlotnik, CMC, City Clerk

REVIEWED AND APPROVED: _____
Aaron R. Wolfe, City Attorney

EXHIBIT “A”

CDBG ~~Disaster Recovery~~
Financial Management Procedures



Resolution No. 24- ~~2022-R-26~~

Table of Contents

Introduction	1
Responsible Party and Responsibilities	1
Monitoring	3
Internal Controls	4
Financial System	5
Process Files	6
Permanent Files	7
CDBG Accounting Records	7
Accounting for Cash Receipts	8
Accounting for Cash Disbursements	8
Allowable Costs	9
Necessary Costs	9
Reasonable Costs	10
Allocable Costs	10
Program Income	11
Annual Audits	11
Common Deficiencies	12
CDBG Payments	12
Record Keeping	13

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Introduction

The City of Edgewater (the City) will manage all financial aspects of the City's ~~the CDBG-DR~~ CDBG awards by ensuring that its financial systems and staff are structured in a manner that ensures optimal accountability and adheres to federal and state accounting requirements. All CDBG ~~CDBG-DR~~ awards will be included in the City's budget. A staffing system will be structured that ensures, to the extent possible, segregation of duties in the financial processes.

In instances where non-CDBG ~~CDBG-DR~~ funding will be used with CDBG ~~CDBG-DR~~ funding, the funding sources and uses will be clearly represented as separate funding streams and expenses in the City's accounting systems. The City's accounting system or subset of the same will be structured in a manner that reports budget to actual expenditures, detailed check/expenditure registers, and cash balance reporting and expenditures by request for funds.

Responsible Party and Responsibilities

The City acknowledges that it is solely responsible for the financial management and control of CDBG ~~CDBG-DR~~ funds it receives. This document is the City's accounting procedures that will be followed to comply with state and federal requirements for financial management. The City will maintain a financial management system that provides the following:

- Effective control over and accountability for all funds, property, and other assets
- Accurate, complete, and timely disclosure of the status and financial results in accordance with specified requirements
- Records that adequately identify (by activity) the source and use of funds for each CDBG ~~CDBG-DR~~ – supported project, including “reasonableness, allowability, and allocability” of costs
- Procedures to comply with the timely distribution of funds

The City's CDBG responsibility is divided between the local CDBG program administration office that has primary responsibility for CDBG ~~CDBG-DR~~ program administration and the finance officer. The City's program administration office along with City management are responsible for reviewing and approving all transactions involving CDBG ~~CDBG-DR~~ funds before the transactions are processed by the finance officer. The administrative and management offices' responsibilities include the following:

- Approval of purchase orders (where applicable) and contracts to be paid with CDBG ~~CDBG-DR~~ funds
- Receipt and approval of invoices
- Assurance that transactions involving CDBG ~~CDBG-DR~~ funds are properly coded
- Review of and approval of requisitions for payments involving CDBG ~~CDBG-DR~~ funds

The finance officer is responsible for maintaining official CDBG ~~CDBG-DR~~ financial records and for posting account transactions. Official records will be maintained in either an

automated or a manual format. The finance officer's responsibilities also include the following:

- Control of accounting documents once they are approved for processing by the program department
- Preparation of financial reports (based on accounting records)
- Preparation of Requests for Funds (prepared in conjunction with the administration office)
- Entry of transactions into the accounting system
- Assisting the City's auditor in preparing an annual financial audit

The City will be familiar with and adhere to the applicable Federal requirements to financial management found in 2 CFR 200; and will review this regulation for more detailed and additional information when financial management questions arise, including special circumstances.

Specific steps for processing payments and obtaining reimbursements from FloridaCommerce include:

- Invoices are received by the City Public Works Project Coordinator and are forwarded to the CDBG Grants Administrator and to the CDBG Project Engineer.
- The Grants Administrator reviews all invoices and approves. The Grants Administrator additionally confirms with the Project Engineer that all work has been completed as outlined in the invoices for construction and reviews contractor payrolls for Labor Standards compliance. Once reviewed and approved the Grant Administrator returns the invoice to the Project Coordinator.
- The Project Engineer reviews all invoices and approves. The Project Engineer additionally confirms that all work has been completed as outlined in the invoices for construction. Once reviewed and approved the Project Engineer returns the invoice to the Project Coordinator for City approvals.
- The Project Coordinator approves the invoice and forwards to the Public Works Director for approval.
- The Public Works Director reviews and approves the invoice and returns to the Project Coordinator.
- The Project Coordinator forwards the invoice to the Accounts Payable Clerk in Accounting Department who enters the invoice into the Accounts Payable module of the City's financial management system (Navaline/Central Square). Invoices are coded to a specific expenditure account numbering series established to track expenditures against individual CDBG Subrecipient Agreement budgetary line items (Implementation, Engineering, Construction);
- The Accounting Clerk reviews, prints the check for the vendor and takes it to the City Manager for review and signature of the check.
- The City Manager signs the check and returns it to the Accounting Clerk for mailing/distribution.
- The Accounting Clerk prepares the check for mailing/distribution to the vendor.

- Grants Administrator/Accountant assists City preparation of request for reimbursement to FloridaCommerce; and updates the CDBG financial spreadsheet.
- The City's in-house Grants Administrator submits the request for reimbursement package to its designated FloridaCommerce grant manager for pre-approval;
- Following pre-approval by the FloridaCommerce grant manager of the City's reimbursement package, the City's authorized S.E.R.A. user submits the approved package to FloridaCommerce through the S.E.R.A. system for reimbursement; and
- For CDBG receipts received as reimbursements, CDBG funds are distributed into the General Fund Account to replace funds expended. In instances when the City receives CDBG funds in advance (prior to checks being distributed to vendors), CDBG funds are received into the General Funds account and are transferred to a non-interest bearing CDBG account, from which checks are written and funds distributed to vendors.

In instances when budget amendments are necessary to the City's CDBG Subrecipient Agreement, the following steps are taken:

- A letter of request for budget amendments is prepared by the City and submitted to the FloridaCommerce grant manager for review and preparation of an amendment to the Subrecipient Agreement;
- Following preparation by FloridaCommerce of the amendment and receipt by the City of the same, the City's Mayor signs and dates the amendment and the amendment is returned to FloridaCommerce;
- Following FloridaCommerce execution of the amendment, the City's Accounting Department amends the budget line items in the City's financial management system (Navaline/Central Square) to align with the amended budget in the CDBG Subrecipient Agreement.

Monitoring

The City will be prepared and have the necessary documentation available for FloridaCommerce DEO monitoring of its financial system and financial transactions and understands that FloridaCommerce DEO staff will utilize the following (or similar) testing tools, which are based on HUD's monitoring checklists:

- the Financial Management I Monitoring Checklist: System Review Checklist is typically utilized for the first pre-award and the initial onsite monitoring of financial management to review the City's:
 - internal controls,
 - separation of duties,
 - the accounting system used by the City, and
 - the procedures for determining allowable costs and housing escrow accounts.
- Financial Management II Monitoring Checklist: Transaction Testing Checklist is typically utilized at the second onsite monitoring visit to review the City's:
 - accounting records and checks a sampling of invoices,

- contracts,
- distributions, and bank statements to ensure that the local government is complying with federal regulations and state laws.

These checklists are located on the [FloridaCommerce DEO](#) website. The City will respond in a timely manner to any potential [FloridaCommerce DEO](#) financial monitoring findings or concerns.

Internal Controls

Internal controls consist of policies and procedures, job responsibilities, qualified personnel, and records management that are designed to safeguard assets such as cash, property, and other assets. The City will establish a system of internal controls that meets the following minimum requirements:

- A single individual will not be allowed to exercise complete control over all phases of any significant transaction. This means, for example, that the same person cannot purchase materials, receive materials, authorize payment for the materials, and write the check to pay for materials.
- Record keeping will be kept separate from operations and handling and custody of assets.
- Monthly reconciliation and verification of cash balances with bank statements will be made by employees who do not handle or record cash or sign checks.
- Actual lines of responsibility will be clearly established, and a single person identified to assume responsibility for management oversight of the entire financial management system.
- The City's Accounting Department shall, on a monthly basis, review and reconcile its CDBG fiscal transactions reported in its bank statements to ensure continuity and compliance with CDBG processes, budgets, receipts, expenditures, budget to actual expenditures, and alignment with its CDBG fiscal transactions as reported in its financial management system (Navaline/Central Square).
- The City's Accounting Department shall, on a monthly basis, review and reconcile its CDBG fiscal transactions reported in its financial management system (Navaline/Central Square) to ensure continuity and fiscal alignment with the Office of Long-Term Resiliency's Subrecipient Enterprises Resource Application (S.E.R.A.). Additionally, the outside grant administration contractor shall maintain a financial management spreadsheet that tracks receipts, expenditures, transaction tracking, cash control and budget to actual expenditures.

The person who prepares payrolls will not handle related paychecks. If signature stamps are used, they will not be under the control of the same individual who retains blank checks.

The City's system of internal controls will outline specific program and financial management responsibilities and will enable the City to maintain the necessary records needed for compliance with Florida law and federal requirements. Where possible, the City's

accounting policies and procedures will mirror the requirements of the Florida Office of the Auditor General.

Financial System

The City will ensure that all source documentation for each transaction is adequately maintained and provided upon request with all details deemed necessary by FloridaCommerce DEO, the U.S. Department of Housing and Urban Development (HUD), Florida's Chief Financial Officer, and Auditor General. The information contained in source documents is necessary for accounting purposes and will be recorded in one of the books of original entry before being filed. The City acknowledges that a variety of source documents and records are needed to properly account for CDBG CDBG-DR transactions.

Supporting documentation will demonstrate that costs charged against CDBG CDBG-DR funds:

- were incurred during the effective period of the City's agreement with the state,
- were actually paid out (or properly accrued),
- were expended on allowable items, and
- had been approved by the responsible staff and official(s) for the City.

These documents include the following:

- **Purchase Orders** (if utilized) will be prepared in the same format as other purchase orders except that appropriate CDBG CDBG-DR program classification data will be coded on the document. Purchase orders, when utilized, will be approved by the City's program office and other approver. After approval, one copy will be retained by the program administrative office to verify receipt of goods, and remaining copies must be forwarded to the finance officer.
- **Contracts** will be filed in the CDBG-CDBG-DR program administrative office. Each contract will identify the activity, program, or project to be charged. If multiple contracts are issued for each project or if non-contractual charges are recorded against a project, a separate record will be maintained for each contract to provide readily available information on contract balances. The City will ensure there is a separate obligation for each contract relating to the same activity to prevent overpayment of any contract. In addition, a Cash Control Register will be maintained to provide summary information for all CDBG CDBG-DR contracts.
- **Vendor Invoices** to be paid with CDBG CDBG-DR funds will first be referred to the program administrative office, compared to the purchase order, checked for appropriateness and accuracy, approved, and coded, as necessary. Approved vendor invoices and appropriate supporting documents will then be forwarded to the finance officer for processing, entry into the financial system and payment.
- **Weekly Time-distribution Sheets** for all employees paid from CDBG CDBG-DR funds. Employees will complete time sheets that indicate the number of hours worked on CDBG CDBG-DR projects, other grant projects, local government activities, and job duties. Time sheets will then be referred to the finance department so that charges to

the correct programs and projects can be computed and properly charged. The City understands that payroll expenses can only be paid from CDBG ~~CDBG-DR~~ funds based on time and attendance records.

- **CDBG Financial Files** that demonstrate the program's financial soundness and regulatory compliance. The City will maintain an orderly record of CDBG-DR transactions that will withstand the scrutiny of FloridaCommerce ~~DEO~~ monitoring and an audit. The City's financial files will be maintained in logical system. Two broad categories of files will be utilized: process files and permanent files (see below).
- **Space and Utilities:** Costs for space will be supported by documentation such as rental or lease agreements. Utility costs will be supported by bills from utility companies. Both types of expenses will be supported by canceled checks. If the cost of space or utilities is split between the CDBG ~~CDBG-DR~~ program and other sources, a reasonable method will be in place to allocate the charges fairly among the sources.
- **Supplies:** Documentation for expenditures for supplies will include:
 1. purchase orders or requisition forms initiated by an authorized representative of the City,
 2. invoices from vendors that have been signed off by the City to indicate goods were received,
 3. canceled checks from vendors demonstrating payment was made,
 4. information regarding where supplies are being stored, and 5) for what cost objective(s) the supplies are being used.

Process Files

Process files are working files that are used until source documents are processed and posted. They include the following:

- **Open Purchase Order File:** All purchase orders that have been issued but not yet filled by vendors will be filed sequentially by purchase-order number. When goods are delivered, all invoices received, and all appropriate approvals obtained, the purchase order will be removed and filed with related invoices and the receiving report in the pending payments file. This file contains encumbrances against the project budget.
- **Pending Payments File:** All source documents that will generate a cash disbursement will be stored in the pending payments file and will be maintained by due date. If a discount is offered for early payment, every effort will be made to make the payment early. A schedule of bills payable from approved invoices and the account to be charged will also be kept in this file.
- **Pending Receipt File:** This file will contain copies of outstanding bills and requests for funds submitted to the CDBG ~~CDBG-DR~~ program that have not yet been recorded in the Cash Receipts Journal or posted to the CDBG ~~CDBG-DR~~ Cash Control Register. Documentation will also include each completed request for funds package submitted to FloridaCommerce ~~DEO~~ through SERA.
- **Personnel Payroll File:** This file will contain a record for each employee who works on CDBG ~~CDBG-DR~~ activities and includes the rate at which the employee's salary can

be charged to the CDBG ~~CDBG-DR~~ program. Time sheets showing the amount of time each employee spends on CDBG ~~CDBG-DR~~ activities will be kept on file. This file will be maintained in addition to the local government's official personnel records.

Permanent Files

The City will maintain these files for all source documents and other records once they have been processed and posted to books of original entry. Documents removed from process files will be placed in the permanent files after all processing is complete (i.e., placing bank verifications or CDBG ~~CDBG-DR~~ contract payment transactions in a CDBG ~~CDBG-DR~~ Receipt File).

Purchase requisitions, purchase orders, and related invoices are filed together; contracts, related invoices, payment vouchers, and check copies are filed together; and grant fund receipt documentation is filed together. Permanent files contain the documents necessary for undertaking an audit of the program. For ease of FloridaCommerce ~~DEO~~ financial monitoring, complete request for funds packages will be included in a permanent request for funds (RFF) file.

CDBG Accounting Records

CDBG ~~CDBG-DR~~ records are used to accumulate CDBG ~~CDBG-DR~~ accounting information for financial reporting. The City will utilize and maintain the following required CDBG ~~CDBG-DR~~ accounting records listed below.

- **Cash-receipts Journal:** All receipts of cash that are deposited into the CDBG ~~CDBG-DR~~ account(s) will be recorded in the cash-receipts journal. Receipts may include contract payments to the City from the CDBG ~~CDBG-DR~~ program, receipts from the disposition of land, program income, and any other CDBG related cash received. The general procedure for using this journal will be to record every CDBG ~~CDBG-DR~~ receipt by date in the order that it was received and indicate the source of the funds received, account or activity line item to be credited, receipt number, and date. A notation regarding final disposition for all funds received will also be included in the journal.
- **Cash-disbursements Journal:** The City will enter all expenditures for CDBG ~~CDBG-DR~~ program costs into the cash-disbursements journal. Disbursement entries will include the names of the vendors, dates paid, purchase order numbers paid against, check numbers, and references to the CDBG ~~CDBG-DR~~ program activities the disbursements address.
- **Property Register:** The City will maintain a listing of all property acquired in part or entirely using CDBG ~~CDBG-DR~~ funds. This list will be maintained to comply with state and federal standards relating to acquisition, control, and disposition of real and personal property. Examples of property that would be recorded in the register include both real property and office equipment.
- **Detailed Activity Ledger:** To maintain accounting control, the City will establish and utilize a detailed activity ledger that records all financial transactions, including receipts

and expenditures, under a CDBG ~~CDBG-DR~~ agreement. In instances when the City has several ongoing projects (e.g., Smith Street sewer-line installation and Jones Street repaving), the City will maintain a separate project activity ledger, each relating to a particular project in this ledger. The project activity ledgers will combine to create the overall detailed activity ledger.

- **Cash Control Register**

In addition to the above control procedures, CDBG ~~CDBG-DR~~ financial reporting and control, the City will utilize a CDBG ~~CDBG-DR~~ Cash Control Register. This register will be used to document and control the following:

- State of Florida funds received
- Requests for Funds (drawdowns on grant reservation)
- Balance of CDBG ~~CDBG-DR~~ cash on hand
- Balance of CDBG ~~CDBG-DR~~ grant funds (budget balances) available by line item
- Collections, refunds, and miscellaneous receipts
- Disbursements

This register is critical because it summarizes the status of CDBG ~~CDBG-DR~~ cash on hand and line-item budget balances. The City will review the Cash Control Register on a regular basis to endure ongoing compliance with CDBG ~~CDBG-DR~~ rules and regulations relating to cash on hand. The register will also serve as a cross-reference to the journal accounts such as cash receipts and disbursements and the detailed project ledger.

Accounting for Cash Receipts

Cash receipts for the CDBG ~~CDBG-DR~~ program come primarily from the state as contract payments based on Requests for Funds. The City will log all CDBG ~~CDBG-DR~~ project related cash receipts from all sources including FloridaCommerce ~~DEO~~ and other sources in a Cash Receipts Journal, a CDBG ~~CDBG-DR~~ Cash Control Register, and a detailed Project Ledger.

Accounting for Cash Disbursements

The City will establish specific days on which it will disburse CDBG ~~CDBG-DR~~ funds. The frequency of these payment dates will depend on transaction volumes. To allow time for orderly processing and requisitioning of CDBG ~~CDBG-DR~~ contract funds, cut-off dates for receipt of invoices to be paid in the next pay date will be established. The City will take measures to ensure that all cash disbursements are supported by source documentation, that fully explains and documents the reason for the disbursement. Examples of source documentation include invoices, time sheets, and payroll vouchers.

Contractor payments will be made only after determining that the contractor is performing in accordance with contract provisions and time schedules, that deliverables have been completed, and that any problems identified by the City during compliance monitoring or inspections have been corrected. that fully explain and document the reason for the disbursement will record all cash disbursements in the CDBG Cash Disbursements Journal, the CDBG Cash Control Register, and CDBG Detailed Activity Ledger.

For infrastructure, public facility and some multifamily construction project, disbursements, the contractor will be required to provide weekly signed certified payrolls to ensure compliance with Labor Standards (Davis-Bacon, Copeland Act, and CWHSSA). The City's staff or consultant will review the certified payrolls for compliance prior to any payments being made to the contractor. Also, prior to payments being made to the contractor, the City's engineer will conduct an onsite review of the work accomplished to date, compare the accomplishments to the work reported in the contractor's invoice and will sign off on any pay requests, certifying that the work reported by the contractor has been completed.

Prior to the final payment being made to the contractor, the City's engineer must inspect the work site(s) and provide a Certification of Completion, and the City or its consultant will confirm that all required documentation and reports from the contractor have been received and are complete and in good order.

Allowable Costs

The standards for determining reasonableness, allowability, and allocability of costs incurred as part of ~~CDBG CDBG-DR~~ -financed activities are found in 2 CFR 200.403. According to general guidelines contained in 2 CFR 200.403, a cost is allowable under the ~~CDBG CDBG-DR~~ program as follows:

- The expenditure is necessary, reasonable, and directly related to the grant.
- The cost conforms with any limitations or exclusions established in 24 CFR 200 Subpart E (Cost Principles) or the ~~CDBG CDBG-DR~~ award.
- The expenditure is consistent with policies and procedures that apply uniformly to both federally funded and other activities of the state or the City.
- The cost is accorded equal treatment. For example, a direct cost cannot be assigned if in other similar circumstances the cost was allocated as an indirect cost.
- The cost is in accordance with generally accepted accounting principles, except for states, local governments, and tribes only, as otherwise provided for in 2 CFR 200.416 and 2 CFR 200.417 (Cost Allocation Plans and Indirect Cost Proposals), and 2 CFR 200.417 (Interagency Service).
- The cost is not used to meet cost-sharing or matching requirements of any federally funded program. See 2 CFR 200.306(b) regarding cost sharing and matching.
- Costs must be adequately documented. See 2 CFR 200.300 through 2 CFR 200.309 for more information.

The City will ensure that all costs under the ~~CDBG CDBG-DR~~ program are allowable as outlined in 24 CFR 570 and the HUD's State Community Development Block Grant Program: Guide to National Objectives and Eligible Activities, December 2014.

Necessary Costs

Costs must be necessary expenditures of Federal funding in order to meet program objectives. Unnecessary costs are those that are not required to achieve the objectives of the

CDBG ~~CDBG-DR~~ agreement or not related to the CDBG ~~CDBG-DR~~ program being administered.

Reasonable Costs

Reasonable costs are described in 2 CFR 200.404: “A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.”

In determining reasonableness of a given cost, consideration must be given to the following:

- Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-federal entity or the proper and efficient performance of the federal award
- Restraints or requirements imposed by such factors as sound business practices; arm's-length bargaining; federal, state, local, tribal, and other laws and regulations; and terms and conditions of the federal award
- Market prices for comparable goods or services for the geographic area
- Whether individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-federal entity, its employees, its students or membership (where applicable), the public at large, and the federal government
- Whether the non-federal entity significantly deviates from its established practices and policies regarding incurrence of costs, which may unjustifiably increase the federal award's cost.

The City will ensure that all costs under the CDBG ~~CDBG-DR~~ program are reasonable.

Allocable Costs

Allocable costs are described in 2 CFR 200.405: “A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.” This standard is met if the cost:

- Is incurred specifically for the federal award;
- Benefits both the federal award and other work of the non-federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
- Is necessary to the overall operation of the non-federal entity and is assignable in part to the federal award in accordance with the principles in this subpart (2 CFR 200, Subpart E, Cost Principles).

The City will ensure that all costs under the CDBG ~~CDBG-DR~~ program are allocable.

Program Income

Program income is the gross income received by a state, a unit of general local government (ULGL), or a subrecipient of a UGLG that was generated from the use of CDBG funds that exceeds \$35,000 received in a single year (24 CFR 570.489(e)2). Examples of program income include the following:

- Proceeds from the sale or long-term lease of real property purchased or improved with CDBG funds
- Proceeds from disposition of equipment purchased with CDBG funds
- Gross income from use or rental of property acquired by the City or its subrecipient with CDBG funds, less the costs incidental to the generation of such income
- Gross income from use or rental of property owned by the City or other entity that was constructed or improved with CDBG funds, less any costs incidental to the generation of such income
- Payments of principal and interest on loans made using CDBG funds
- Proceeds from the sale of loans made with CDBG funds
- Proceeds from the sale of obligations secured by loans made with CDBG funds
- Interest earned on program income, pending the disposition of such program income
- Funds collected through special assessments made against nonresidential properties owned and occupied by households not of low and moderate income, where such assessments are used to recover all or part of the CDBG portion of a public improvement

Program income received by a unit of local government must be recorded in its financial records system and must be recorded in the same activity line item as generated the program income. Program income must be spent first on subsequent expenditures.

The City will report any program income generated from CDBG projects in the Quarterly Status Report. The City will return any program income generated after the closeout of the ~~CDBG CDBG-DR~~ agreement to ~~FloridaCommerce DEO~~. The City also understands that any program income generated prior to closeout must be returned to ~~FloridaCommerce DEO~~, unless the program income can be used for additional units of ~~CDBG-CDBG-DR~~ activities that are specified in a modification to the agreement executed prior to the closeout. It is also understood that program income included in the project by modification to the agreement must be used in accordance with 2 C.F.R. part 200, 24 C.F.R. part 570.504 and the terms of the ~~CDBG CDBG-DR~~ agreement.

Annual Audits

The City will maintain detailed and organized financial records and will be prepared to provide the same to its auditor for annual audits. For years that the City expends \$750,000 or more in federal funds, it will submit a Single Act or Program Specific Audit to ~~FloridaCommerce DEO~~ and the Florida Auditor General no later than June 30. For years that the City expends less than \$750,000 in federal funds, it will submit a ~~FloridaCommerce DEO~~

Audit Certification Memo to FloridaCommerce DEO no later than June 30. Additionally, the City will submit an Audit Compliance Certification (an attachment to the CDBG agreement) no later than sixty calendar days following the end of its fiscal year. The City will respond in a timely manner to any potential audit findings or issues and to any potential FloridaCommerce DEO Audit Management Letters.

Common Deficiencies

The City is aware that the issues listed below are the most common record-keeping deficiencies encountered during program monitoring and audits.

- Inadequate financial records
- Inadequate source documentation
- Inadequate procedures for verification of cost allowability
- Inadequate procedures for certifying operating agencies' financial systems
- Delays between drawdown and expenditure of funds
- Inadequate process to prevent overpayment of an activity budget line item
- Inadequate accounting of program income
- Inadequate or untimely financial reports

The City will take the necessary measures to be prepared and avoid these inadequacies.

CDBG Payments

Prior to transmission of contract funds, the City will complete and submit to the CDBG ~~CDBG-DR~~ program a Subrecipient Enterprise Resource Application (SERA) system Access Authorization Form. The City understands that this form is used to inform FloridaCommerce DEO of the names of persons permitted to sign Requests for Funds. Requests for Funds forms will be signed by one or more of the City's authorized individuals identified on the form. The Signature Authorization will identify the financial institution, its mailing address, telephone number, and the account number to which CDBG ~~CDBG-DR~~ funds will be transmitted.

The City understands there can be no erasures or corrections on the SERA Access Authorization Form. The City will submit three copies, each having original signatures, to FloridaCommerce DEO. In instances when it is necessary to change or update information on the Signature Authorization Form, the City will follow the same instructions.

The City will ensure that there is no comingling of funds by placing CDBG ~~CDBG-DR~~ funds in a separate bank account or by demonstrating that its accounting system has sufficient capacity and internal controls to separately track the receipts and expenditures of the CDBG ~~CDBG-DR~~ grant. For CDBG ~~CDBG-DR~~ projects that are funded through an advance process, the City will ensure that these CDBG funds will be maintained in a separate non-interest-bearing account. Any interest paid on the account will be remitted to FloridaCommerce DEO for return to the U.S. Treasury.

The City will submit requests for funds through the FloridaCommerce DEO SERA system. To ensure the timely expenditure of CDBG ~~CDBG-DR~~ funds the City will submit requests for

funds on a regular basis and in accordance with the CDBG ~~CDBG-DR~~ agreement's Scope of Work, Project Detail Budget and Activity Work Plans. These request for funds will include a signed invoice from the City as well as all contractor invoices, cancelled checks and other documentation required by FloridaCommerce DEO that supports the expenditures reflected in the City's invoice.

The City will not expend or obligate more than \$5,000 for administration, prior to receiving a Release of Funds from the CDBG ~~CDBG-DR~~ program. The release will clearly state that environmental conditions have been removed and funds have been released for expenditure. Furthermore, the City will not draw funds for any activity that has been conditioned in the contract agreement until a Removal of Special Conditions is granted by FloridaCommerce DEO. The City will review its contract award agreement for special conditions prior to obligating or requesting funds.

Record Keeping

In the simplest terms, CDBG financial transactions involve receiving cash (such as contract funds from FloridaCommerce's DEO's ~~CDBG ~~CDBG-DR~~~~ program or program income) and spending cash for eligible activities. Every CDBG ~~CDBG-DR~~ financial transaction will be recorded in the accounting records as soon as possible. The City will ensure timely and accurate recording of financial transactions utilizing the appropriate source documents, files, and accounting records. The City will maintain records a minimum of 6 years from the date of the receipt of the final audit for the year in which the grant was closed out (2 CFR 200.333). The City understands that this period for records retention will be extended if any litigation, claim, negotiation, audit or other action involving the records has been started prior to the expiration of the controlling period. The City will provide access to these records and audits to FloridaCommerce DEO, Florida's CFO, and the Auditor General upon request for a period of six (6) years following the final audit, unless extended by FloridaCommerce DEO. The City additionally understands that such extensions will be in place until the completion of any associated actions and resolution of all associated issues have been determined.