



Chapter 6: Financial Management

Overview

Accurate financial record-keeping, including the timely deposit, disbursement and accounting of Community Development Block Grant (CDBG) funds is crucial to the successful management of a CDBG funded project. Grantees must take the following steps to prepare a financial management system to receive and utilize CDBG grant funds:

1. Appoint a person to be responsible for Financial Management,
2. Establish accounting records,
3. Set up bank accounts or separate ledger accounts, and establish receipting procedures, and
4. Establish procedures for approving invoices, submitting claims, and issuing payment to vendors.

Financial record-keeping is the primary responsibility of the Grantee's Chief Financial Officer, i.e. the Clerk-Treasurer or Auditor, or any other authorized individual as determined by the Grantee. The Grantee is responsible for the review and approval of all expenditures and claims of subrecipients. It is the responsibility of the Grant Administrator to advise, assist and counsel the Chief Financial Officer on administrative requirements in regard to the receipt, disbursement and accounting of federal funds and the records to be maintained. Failure to comply with financial management standards may result in monitoring and audit findings. Depending on the infraction, the Grantee may be required to pay back federal dollars. This chapter will focus on the records that must be maintained in order to receive and utilize CDBG funds. Specific topics include the following:

- 6.1 Applicable Requirements
- 6.2 Establishing a Financial Management System
- 6.3 Requests for Payment Procedures
- 6.4 Timely Expenditure
- 6.5 Budget Revisions
- 6.6 CDBG Program Income
- 6.7 Revolving Loan Funds
- 6.8 Revisions and Amendments
- 6.9 Audits



Section 6.1 Applicable Requirements

The CDBG regulations require grantees that are governmental entities or public agencies to adhere to certain administrative and financial management requirements. The CDBG regulations at 24 CFR 570.489 contain basic program administrative requirements.

All federal grants made with 2013 funds (and later) are required to comply with 2 CFR Part 200 (of the Code of Federal Regulations), the new 'Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.'

[24 CFR 570.489](#)

[2 CFR Part 200](#)

2 CFR Part 200 establishes principles and standards for determining allowable costs under federal grants. It also includes requirements for audits such as the type and level of audit required, reports issued by auditors, and audit review and resolution.

Finally, it includes requirements for financial management systems, reports, records, and grant closeouts for recipients of federal grant funding. Subjects covered include financial management standards, internal controls, budget controls, accounting controls, cash management, procurement, and contracting.

Section 6.2 Establishing a Financial Management System

The fundamental purpose of financial management is to ensure the appropriate, effective, and timely use of funds.

Specifically, grantees must ensure that:

- Internal controls are in place and adequate;
- Documentation is available to support all accounting records;
- Financial reports and statements are complete, current, reviewed periodically; and
- Audits are conducted in a timely manner and in accordance with applicable standards.



Requirements

In establishing a financial management system, grantees are to follow both 24 CFR Part 570 and 2 CFR Part 200, which govern CDBG grantee financial management systems. HCD also imposes additional requirements that can be found throughout this chapter. Failure to appropriately document and account for all CDBG funds expended may result in monitoring findings from HCD or HUD, debarment from participation in HCD funded programs, and/or removal of good standing status by HCD.

[2 CFR 200.302](#)

[CPD-04-11](#)

[31 CFR Part 205](#)

A grantee's financial management system must provide for the following:

- Accurate, current, and complete disclosure of financial results;
- Records that identify adequately the source and application of grant funds;
- Comparison of actual outlays with amounts budgeted for the grant;
- Procedures to minimize the amount of time elapsed between the transfer of funds from the US Treasury and the disbursements by the grantee;
- Procedures for determining reasonableness and allowable costs;
- Accounting records that are supported by appropriate source documentation; and
- A systematic method to assure timely and appropriate resolution of audit findings and recommendations.

The three basic functions, which must be served by the financial management system, are:

1. The financial management system must have an identified procedure for recording all financial transactions.
2. All expenditures should be related to allowable activities in the standard agreement approved by HCD.
3. All expenditures of CDBG funds must be in compliance with applicable laws, rules, and regulations.



2 CFR Part 200 also requires that grantees take reasonable measures to safeguard personally identifiable information (e.g., social security or bank account numbers) and other information designated to be sensitive by HUD or the state, consistent with applicable federal, state, and local laws regarding privacy and obligations of confidentiality. More information on PII can be found in Chapter 10: Reporting and Recordkeeping.

[Guide to Protecting Personally Identifiable Information \(PII\)](#)

Tip: Use the Sample Financial Management Responsibilities List as a tool to help your organization set up and maintain your financial management system.

Appendix 6-1:
Financial Management
Responsibilities List

Internal Controls

Internal controls refer to the combination of policies, procedures, defined job responsibilities, personnel, and records that allow a grantee (or subrecipient) to maintain adequate oversight and control of its cash, property, and other assets.

The soundness of any grantee's financial management structure is determined by its system of internal controls. Specifically, the main goals of internal controls are to:

- Ensure resources are protected against waste, mismanagement or loss.;
- Ensure that accounting information is accurate and reliable; and
- Ensure resources are used for authorized purposes and in a manner consistent with applicable laws, regulations, and policies.

As part of an effective internal control system, one person will be designated (per the financial management responsibilities checklist) as the primary person at the grantee organization responsible for the overall financial management of a CDBG project. This person should be familiar with their organization's present accounting system. Refer to 2CFR 200.303 for more information.

[2 CFR 200.303](#)

Accounting Records

Each grantee should determine the accounting procedures that will assist in providing accurate and complete financial information. Grantees are required to maintain accounting records that sufficiently identify the source and use of the CDBG funds provided to them. All records must be supported by source documentation.



The grantee may have CDBG accounting records fully integrated into an existing accounting system. Grantees may also have partially integrated records into an existing system; however, ledgers should be developed to provide the required accounting information for the CDBG grant. Separate records eliminate potential conflicts with the grantee's usual record keeping systems.

At a minimum, a grantee's accounting system, must:

- Clearly identify all receipt and expenditure transactions of the grant; and
- Provide for budgetary control by tracking expenditures and accrued obligations by approved activity.

HCD staff and the grantee's auditors should be able to readily trace all transactions through the accounting system at any time during the grant period of performance or after grant close-out.

Budget Controls

The grantee must be able to report expenditures for each approved activity. A record of the account balances must be maintained for each approved activity that accounts for expenses accrued as well as obligations that have been incurred but not yet been paid out.

Source Documentation

Accounting records must be supported by source documentation. Source documentation includes items such as cancelled checks, paid bills, payrolls, time and attendance records, contract documents and other paperwork.

Tip: It is important that a grantee establishes a system in which all source documents pertaining to the project are clearly marked by an identifier on each source document. This will help assure that transactions are properly classified and segregated in the accounting records.

Source documentation should tell the story of the basis of the costs incurred and the actual dates of the expenditure. For example, source documentation on payments to contractors would include a request for payment, proof of inspection to verify work and materials, and, perhaps, cancelled checks. HCD encourages the use of purchase orders or payment vouchers when preparing expenditures for payment of any cost associated with the project. These documents are prepared in accordance with local policies and procedures as well as those required by federal regulations.



Allowable Costs

Any cost incurred must be allowable per 2 CFR 200.402 - 202.475. It is a grantee's responsibility to ensure that CDBG funds are spent only on those costs which are approved in Exhibit B in the Grant Agreement.

[2 CFR 200.402 - 475](#)

The grantee must establish policies and procedures for determining cost reasonableness, allowability, and allocability of costs.

[CPD Notice 13-07](#)

Direct and Indirect Costs

There is no universal rule for classifying certain costs as either direct or indirect under every accounting system. A cost may be direct with respect to some specific service or function, but indirect with respect to the Federal award or other final cost objective. Therefore, it is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect cost in order to avoid possible double charging of Federal awards.

[2 CFR 200.412 - 415](#)

Direct Costs

Direct costs are those costs that can be identified specifically with a particular award or activity relatively easily with a high degree of accuracy. Identification with the Federal award rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect costs of Federal awards. A few examples are:

- Salaries and benefits for a housing rehab case manager
- Rental assistance check paid directly to a landlord
- Mileage reimbursement for staff (for home visits or construction site interviews)
- Contractor payments for construction of a public facility

Indirect Costs

Indirect costs are those that have been incurred for shared or common objectives and cannot be readily identified with a particular final cost objective. A few examples include:

- Rent, utility, insurance, maintenance and other expenditures related to shared space
- Administrative and executive team functions that support multiple program areas



Purchases, transportation and staff expenses that benefit multiple program areas. To seek reimbursement for incurred indirect costs, a grantee may use the federal de minimus rate or present a current Cost Allocation Plan approved by a federal agency.

NOTE: HCD will not review or approve Cost Allocation Plans, but rather will rely on documentation that the Cost Allocation Plan has already been approved.

Administrative Costs

There are two types of administrative costs: General Administration Costs (GACs) and Activity Delivery Costs (ADCs). GACs are those costs associated with implementation of the grant. These costs may include salaries for personnel who devote full or part time to the grant, supplies used for grant activities, and the cost of administrative services provided by other agencies. ADCs are those costs directly related to the implementation of grant activities.

Appendix 6-2:
Cost Categories for
GACs and ADCs

General Administration Costs (GACs)

GA costs may include, but are not limited to, the following categories:

- Salaries, wages, and related costs of the Grantee's staff engaged in activities associated with the general administration of the CDBG program, including general management, general legal services, accounting, and auditing.
- Travel costs incurred in carrying out the general management of the program.
- Administrative services performed under third-party contracts, including contracts for such services as general legal services, accounting services, and ad services.
- Costs for goods and services related to the general management of the program, including rental and maintenance of office space, insurance utilities, office supplies, and rental or purchase of office equipment.
- Costs incurred in providing information and resources to individuals, families, and households in the LMI group, and to citizen organizations participating in the planning, implementation, or assessment of the Grantee's program.
- Administrative funding can also be used for fair housing activities in compliance with the requirements of [California CDBG Final Guidelines §103](#).



- If a cost cannot be associated with one of the above listed groups and cannot be associated with direct project costs, the Department will, upon the Grantee's request, decide whether it is an administrative cost, an Activity Delivery cost, or an ineligible cost according to [24 CFR §570.489](#) and [24 CFR §570.482](#)
- Completion of the NEPA Environmental Review Record for General Administration Activities (GA NEPA)

In documenting administrative costs, grantees should keep in mind:

- All general administration costs charged to the project must be documented through timesheets, purchase orders, or invoices.
 - Contracted grant consulting must be documented with the contract, including payment terms and all accompanying invoices.
 - Invoices for time and materials contracts must include timesheets.
- For those projects directly administered by the grantee, employees paid in whole or in part from CDBG funds should prepare timesheets indicating the hours worked for each pay period.
 - Timesheets must show the exact hours each individual worked on the project, the hours worked on non-CDBG projects, the date on which the work was performed, and a description of the work performed.
 - The employee and the employee's supervisor must sign the timesheet.

Activity Delivery Costs (ADCs)

Activity Delivery Costs are any allowable costs incurred by the grantee for implementing and carrying out eligible CDBG activities.

All ADCs are allocable to a CDBG eligible activity that meets a national objective, including direct and indirect costs integral to the delivery of the final CDBG-assisted activity. ADCs are not Administration or funds used for the general operations of CDBG programs, but rather the costs incurred to achieve a specific eligible activity and meet a national objective.

Appendix 6-2:
Cost Categories for
GACs and ADCs



Activity Delivery Costs may include, but are not limited to:

- Costs for completing a project specific environmental review and publication.
- Engineering/design/architectural services for a specific project
- Marketing for a specific CDBG program
- Development of program guidelines and application documents.
- Applicant intake/assistance, staff time to sit with applicants to fill out an application or collect income and application documentation.

Costs of labor standards and section 3 requirements, such as weekly payroll review, employee interviews and documenting labor hours.

HUD does not establish a maximum ADC percentage as the level of effort and reasonable costs for ADCs will vary by program type, location, and scale. While HCD is not establishing an ADC cap, this section is designed to provide grantees with guidance to ensure program costs and ADCs are reasonable and necessary. Past HUD trainings have indicated that in general, ADC costs between 15-25% are reasonable for most CDBG programs. This range can be considered a safe harbor for reasonable ADCs. However, there may be times when significant investment in outreach, application assistance, complex environmental mitigation, etc. could significantly increase the ratio between ADCs and Activity Costs. If the ratio of ADC costs is outside of this safe harbor range, Grantees must ensure that in addition to CDBG required expenditure documentation, they have documentation in the program file demonstrating that higher ADC costs are reasonable and necessary.

Non-CDBG Project Funds

Grant records should account for **all** funds committed to the project. The receipt and expenditure of the funds should be carefully documented. If leveraged funds are derived from a source outside the local government, project records should identify the source and amount.

Asset Management

Grantees who maintain real or personal property paid in whole or in part with CDBG funds are required to properly manage these assets and to ensure that the assets continue to be used for their intended purposes in accordance with the CDBG regulations and 2 CFR 200.310-.316.

[24 CFR 570.489\(j\) and \(k\)](#)

[2 CFR 200.310-.316](#)



Grantees must maintain appropriate records of their assets, whether in their possession or in the possession of a subrecipient organization. Specifically:

- In the case of real property, meaning land and any improvements to structures on the land, grantees must maintain a current real property inventory, updated at least biannually. In cases where the grantee is maintaining land, grantees should also describe the intended reuse of the land and the timeframe for improving the land so that it meets a CDBG national objective.
- For personal property, grantees should maintain a fixed assets ledger that includes the following: a description of the property; any identifying information such as a serial number; the funding source (grant number); the acquisition date and cost; the federal share of the cost; and the location, use, and condition of the property; and disposition data. Grantees are required to conduct a physical inventory of personal property biannually to ensure that the property is being maintained in good condition and that there are procedures in place to prevent loss, damage, or theft of the property.

Grantees must maintain records that properly document the disposition of any CDBG-funded property. It should be noted that real property purchased or improved with CDBG funds in excess of the Small Purchase Threshold (currently \$250,000) must continue to meet the CDBG national objective approved for the project for at least five years after close-out of the grant that funded the property purchase or improvement. Should the recipient choose to change the use of property, they must contact HCD to ensure that proper procedures are followed. Failure to do so can result in payback of the grant award. More information on Change of Use can be found in *Chapter 11: Monitoring and Closeout*.

Section 6.3 Requests for Payment

There are two components to the Requests for Payment procedures: quarterly financial reporting and requests for payment. Grantees are required to submit quarterly financial reporting utilizing Appendix 6-3: Financial Reporting form. More information on quarterly financial reporting can be found in *Chapter 10: Reporting and Recordkeeping*.

For requests for payments, the Grantees must also use Appendix 6-3: Financial Reporting form. This form will serve as documentation that the authorized representative of the Grantee has approved the payment request.



Process for Requests for Payments

The CDBG request for payment process is comprised of three distinct activities:

- Gathering required documentation
- Filling out the new Financial Reporting form
- Submitting information in the Grants Network Portal

Required Documentation

Grantees are required to submit documentation for all expenditures claimed in the Financial Report. Grantees should refer to Appendix 10-1: Required Documentation Checklist for the types of source documentation required by HCD.

Appendix 10-1: Required Documentation Checklist

IMPORTANT: Grantees must not submit personal identifying information including first and last names, addresses, social security numbers. Submitted documentation of incurred costs should have PII de-identified or redacted. Any personal identifying information submitted with a Financial Report will be returned immediately without further review so that it can be resubmitted in a way that does not contain this sensitive information.

Completing the Financial Report Form

Grantees will receive a Financial Reporting form from their HCD Representative (or CDBG-CV Grant Administrator). This should serve as a template for all reporting and funds requests. The form is an Excel template composed of two worksheets: a Coversheet worksheet and an Expenditures worksheet.

Appendix 6-3: Financial Report Form

Appendix 6-4: Financial Report Form Instructions

Submitting the Financial Report in the eCivis Grants Network Portal

Grantees should complete the financial reporting process in the Grants Network Portal by following the steps shown in Appendix 6-5: eCivis Financial Reporting Process.

Appendix 6-5: eCivis Financial Reporting Process



Grantees are required to submit Appendix 6-3: Financial Report Form for all open grants and Program Income **at least quarterly**. Typically, a check will be mailed within 6 weeks of receipt of an approvable funds request. As a best practice, Grantees should pay contractors and vendors promptly.

NOTE: Grantees should consider that for many firms, including MBE/WBE, small businesses and nonprofits, and people who have been systemically economically marginalized, lengthy payment terms can make contracting with government entities harmful or impossible. In order to mitigate this Grantees are encouraged to make resources available in advance of payment by HCD. For more detailed information, see Appendix B: Equity and Belonging Toolkit.

Grantees should maintain a physical or digital copy of each payment request with all corresponding source documentation in the CDBG file.

Section 6.4 Timely Expenditure

Grantees must minimize the time lapsing between the receipt of CDBG funds and their disbursement per 2 CFR 200.305, which states that grantees must adhere to Treasury Regulations at 31 CFR Part 205. To ensure that these requirements are met, all funds must be disbursed within 15 days of receipt. Failure to meet the timely distribution of funds will result in a finding at monitoring.

[2 CFR 200.305](#)

[31 CFR Part 205](#)

Section 6.5 Budget Revisions

From time to time, grantees may need to revise budget line items to meet actual costs. These revisions must be accomplished prior to submitting a payment request to HCD. All budget revisions are handled by an amendment in the eCivis Grants Network. Instructions for requesting revisions and amendments can be found below in Section 6.8 Revisions and Amendments.

Section 6.6 Program Income

Any proceeds generated from a CDBG activity, including repayment of funds, will fall into one of two categories: 1) program income, or 2) miscellaneous revenue. Different rules apply for each of these categories. This section defines each of these types of funds and the rules that will apply.

Under the CDBG Program, funds received by the Grantee as a result of a CDBG-funded activity are generally referred to as program income. Program income funds retain their federal identity **in perpetuity** and are **subject to all federal requirements**.



Program income is defined in detail below. Funds not considered program income will be covered in the next section.

It is important to note that accounting for program income is conducted on a Grantee basis rather than a project basis because a Grantee has the ability to generate income from more than a single project or over more than one grant year.

What Is Program Income?

Program income is defined as gross income received by a Grantee or a subrecipient of a Grantee that was generated from the use of CDBG funds regardless of whether or not the activity has been closed out. Program income includes, but is not limited to, the following:

[24 CFR Part 570.489\(e\)\(1\)](#)

- Proceeds from the sale or long-term lease of real property purchased or improved with CDBG funds;
- Proceeds from the disposition of equipment purchased with CDBG funds;
- Gross income from the use or rental of property acquired or improved by the Grantee or subrecipient with CDBG funds, minus any incidental costs necessary for maintenance of the property;
- Gross income from the use or rental of real property owned by the unit of general local government or a subrecipient of a unit of general local government, that was constructed or improved with CDBG funds, less the costs incidental to the generation of the 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;
- All principal and interest received by a Revolving Loan Fund (RLF) account (this would include any past or present Housing Rehabilitation Program);
- Interest earned on program income pending disposition of the income;



- Funds collected through special assessments made against non-residential properties and properties owned and occupied by households that are not low and moderate income if the special assessments are used to recover all or part of the CDBG portion of public improvements; and
- Gross income paid to a unit of general local government or subrecipient from the ownership interest in a for-profit entity acquired in return for the provision of CDBG assistance.

The following are exceptions to the definition of Program income:

- Gross income of \$35,000 or less received in a single year from all activities (excluding revenue generated by a Revolving Loan Fund) that is retained by the Grantee and its subrecipients;
- Amounts generated by activities eligible under Section 105(a)(15) of the HCDA and carried out by an entity under the authority of Section 105(a)(15) of the Act (non-profit organizations and local development organizations, when undertaking community economic development, neighborhood revitalization, or energy conservation projects);
- Certain types of interest income as outlined in 24 CFR 570.489(e)(2)(iv);
- Proceeds from the sale of real property purchased or improved with CDBG funds if the proceeds are received more than five years after expiration of the grant agreement between the state and the Grantee.

[Section 105\(a\)\(15\) of the HCDA](#)

[24 CFR Part 570.489\(e\)\(2\)\(iv\)](#)

Funds not considered program income will be identified as miscellaneous revenue (e.g. receipts totaling less than \$35,000 in any given HCD Program Year). These funds do not retain their federal identity, and federal requirements, such as environmental review, procurement, and labor standards, do not apply to the reuse of these funds. However, HCD requires grantees and subrecipients generating miscellaneous revenue track and report on all revenue generated by the CDBG activity.



Grantees must track the receipt of all funds generated from the use of CDBG assistance throughout the year. At such time the funds received reaches \$35,000, Grantees must receipt funds into the eCivis Grants Network in accordance with the Program Income Policy and associated procedures.

Appendix 6-6: CDBG
Program Income Policy

Appendix 6-7: CDBG
Program Income Procedural
Guidance

Reporting Program Income

The grantee is required to report Program Income (PI) activities via the eCivis Grants Network system using the most current procedures posted online including a CDBG Program Income Receipting Report Form.

Revenue generated by a CDBG assisted project should not be entered into eCivis until the jurisdiction has met the threshold of \$35,000.

HCD has created Appendix 6-7: CDBG Program Income Receipting Report Form to assist Grantees in the receipting and reporting of Program Income funds.

Appendix 6-8: CDBG
Program Income Receipting
Report Form

Use of Program Income

Program income must be used for eligible CDBG activities as listed in Section 105(a) of the HCDA and Chapter 2: National Objectives and Eligible Activities of this manual. Program income is subject to all of the rules and regulations governing CDBG funds including, but not limited to, compliance with: national objective, procurement, equal opportunity, environmental, labor standards, lead-based paint hazard treatment, etc.

[Section 105\(a\) of the HCDA](#)

HCD has submitted a new Program Income Policy for HUD approval. At such time that HCD finalizes guidelines regarding the use of program income, Section 6.6 of this manual will be updated to reflect the same.

Section 6.7 Revolving Loan Funds

Revolving Loan Funds are a special category of program income that allows the funds to be set aside for a designated use. A Revolving Loan Fund (RLF) is a separate fund (with a separate set

[24 CFR Part 570.489\(f\)](#)



of accounts that are independent of other program accounts) established to carry out specific activities that, in turn, generate payments that fund future activities.

Revolving Loan Fund Guidelines

HCD is not currently approving the use of RLF's. At such time that HCD develops guidelines regarding the use of RLF's, Section 6.7 of this manual will be updated to reflect the same.

Section 6.8 Contract Revisions and Amendments

HCD distinguishes Standard Agreement Revisions and Amendments in order to ensure that the correct documentation, workflow approvals, and timeframe are applied to the agreement. The description text and table below, summarizes the differences between revisions and amendments. Grantees should carefully review the distinctions between revisions and amendments shown in the table to help understand the documents needed and the anticipated timeframe for processing such request. All changes to a Standard Agreement must be documented on the *Revision/Amendment Form* (Appendix 6-9). Completing this form correctly is critical because it stands as the ONLY documentation of the proposed changes, and what HCD will use to determine whether the request is for a revision or amendment. Though the request will be submitted through the Grants Network Portal, the eCivis Grants Management Network does not distinguish between amendments and revisions. Instead, it refers to all changes as “amendments,” either including or not including budget changes.

Appendix 6-9: Revision/
Amendment Form

Revisions and Amendments

1. *Contract Revisions* are minor adjustments to the awarded project or program that can be reviewed and approved by HCD Program Staff and don't require a lengthy contract change process. Contract Revisions include adjustments the Scope of Work that do not require an increase or reduction of activity scope, a change in National Objective, or a change in the type of beneficiaries assisted may be completed as a Contract Revision. Contract Revisions must be approved by the Department prior to implementation. If approved, contract revisions shall automatically be deemed a part of, and incorporated into the Standard Agreement. Approval shall be provided either through the online grant management system, or in writing, as appropriate. Contract Revisions shall include but not be limited to:
 - a. Adjustments that itemize the scope of work, revise milestone deadlines, except for first and last milestones, and change the scope of work in a manner that does not change the overall budget, National Objective, or change type or reduce count of estimated beneficiaries.



- b. Adjustments that increase the estimated number of beneficiaries without increasing or decreasing the scope of work and without changing the overall budget.
2. *Contract Amendments* are more substantial changes to the contract and require a more in-depth HCD workflow approval process including contract and financial reviewers. Contract Amendments typically require local public engagement, resolutions by the local jurisdiction, and the completion of HCD forms such as the STD213A. Contract Amendments include adjustments to the Scope of Work that require an increase or a reduced scope of work, change in overall budget, change in the National Objective, or that change the type or reduces the number of beneficiaries assisted shall require a Contract Amendment. Contract Amendments must be fully executed by both the Grantee and the Department prior to implementation. Adjustments may not be implemented prior to execution unless the Department has provided written notice authorizing the Grantee to proceed. Contract Amendments shall include but not be limited to:
 - a. Adjustments that either add scope beyond what was included in the original application, or that reduce scope such that the activity is materially different from the original application, or that reduce estimated beneficiary counts.
 - b. Adjustments that change the scope in a manner that requires a change to awarded activity budget, including adding funds from other State CDBG funded activities, adding Program Income, and reducing funds from either State CDBG awarded funds or Program Income.
3. HUD Matrix Codes: If HUD changes an activity matrix code(s) or if there is an error in recording the activity code, the Grantee shall be notified in writing and the correction shall not require an amendment to the Standard Agreement.



Scope of Work Change Request	Revision or Amendment?	eCivis Notation* and Typical New Threshold Documents Required
Scope of Work Change WITHOUT change to national objective or activity type	Revision	<p style="text-align: center;">Amendment</p> <p>DOES NOT Include Financial Change</p> <ul style="list-style-type: none"> ■ Revision, Amendment Form ■ National Environmental Policy Act (NEPA) Environmental Review Record (ERR) update ■ Other updated threshold items as required
Scope of Work Change WITH change to national objective	Amendment	<p style="text-align: center;">Amendment</p> <p>DOES NOT Include Financial Change</p> <ul style="list-style-type: none"> ■ Revision, Amendment Form <ul style="list-style-type: none"> ■ New resolution ■ STD 213A ■ Detailed Scope of Work (not a sperate file) <ul style="list-style-type: none"> ■ Updated Program Guidelines <ul style="list-style-type: none"> ■ New Public Noticing ■ NEPA ERR update ■ Site Control ■ Relevant Memorandums of Understanding (MOUs), Subrecipient Agreements and/or contracts, and associated Debarment Checks <p style="text-align: center;">Other updated threshold items as required</p>
Scope of Work Change WITH change to activity type	Amendment	<p style="text-align: center;">Amendment</p> <p>DOES NOT Include Financial Change</p> <ul style="list-style-type: none"> ■ Revision, Amendment Form ■ New resolution if type of activity has changed and new activity does not fall under umbrella of original activity description. <ul style="list-style-type: none"> ■ STD 213A ■ Detailed Scope of Work (not a sperate file) <ul style="list-style-type: none"> ■ Updated Program Guidelines <ul style="list-style-type: none"> ■ New Public Noticing ■ NEPA ERR update ■ Site Control ■ Relevant Memorandums of Understanding (MOUs), Subrecipient Agreements and/or contracts, and associated Debarment Checks <p style="text-align: center;">Other updated threshold items as required</p>



Beneficiary Change Request	Revision or Amendment?	eCivis Notation* and Typical New Threshold Documents Required
Beneficiary Change WITHOUT reducing estimated number of beneficiaries	Revision	Amendment DOES NOT Include Financial Change <ul style="list-style-type: none"> ■ Revision, Amendment Form only ■ No additional forms required
Beneficiary Change WITH a reduction in the estimated number of beneficiaries	Amendment	Amendment DOES NOT Include Financial Change <ul style="list-style-type: none"> ■ Revision, Amendment Form <ul style="list-style-type: none"> ■ STD 213A ■ Other updated threshold items as required
Budget Change Request	Revision or Amendment?	eCivis Notation* and Typical New Threshold Documents Required
Budget Change WITHOUT change to overall budget (only allocation changes – same total budget)	Revision	Amendment Includes Financial Change <ul style="list-style-type: none"> ■ Revision, Amendment Form only ■ No additional forms required
Budget Change WITH change to overall budget	Amendment	Amendment Includes Financial Change <ul style="list-style-type: none"> ■ Revision, Amendment Form <ul style="list-style-type: none"> ■ New resolution ■ STD 213A ■ NEPA ERR update ■ Other updated threshold items as required
Timeline or Milestone Change Request	Revision or Amendment?	eCivis Notation* and Typical New Threshold Documents Required
Timeline or Milestone Change that DOES NOT affect project start and end dates	Revision May affect only intermediate milestones	Amendment DOES NOT Include Financial Change <ul style="list-style-type: none"> ■ Revision, Amendment Form only ■ No additional forms required
Timeline or Milestone Change that DOES affect project start and/or end dates	Amendment	Amendment DOES NOT Include Financial Change <ul style="list-style-type: none"> ■ Revision, Amendment Form <ul style="list-style-type: none"> ■ STD 213A ■ Other updated threshold items as required

*This column refers to the way the amendment or revision will be entered in the Grants Network Portal (on the Grantee side) or viewed in the eCivis Grants Management Network (by HCD Representatives or Grant Administrators). Both revisions and amendments are called “Amendments” in the system. **Grantees will need to indicate whether or not the “Amendment” includes a financial change.**



Process

The overall process consists of 3 basic steps: 1) completing the Revision/Amendment Form, (Appendix 6-9) and any additional documentation noted in the table above, 2) submitting the amendment request and supporting documentation in the Grants Network Portal, and 3) approval in the eCivis Grants Management Network by HCD.

Grantees are no longer required to request the Revision, Amendment Form from their HCD representative or Grant Administrator. Grantees will initiate the process by completing the Revision/Amendment Form (Appendix 6-9) and submitting it in the Grants Network Portal.

Appendix 6-9: Revision/
Amendment Form

Appendix 6-10: eCivis
Revision/Amendment
Submittal Process

Section 6.9 Audits

One of the primary financial management requirements implicit with the use of Federal funds is the annual audit. 2 CFR Part 200 Subpart F provides requirements for audits of governmental entities and nonprofit organizations.

[2 CFR Part 200 Subpart F](#)

Audit Requirements

An audit is an official examination and verification of accounts and records. Audits are an important part of effective financial systems, as they produce useful financial reports and verify the reliability of a grantee's financial management systems. Only an independent CPA, with a current license to practice in California can perform an audit.

Failure to comply with the audit requirements can jeopardize the grantee's ability to draw grant funds and receive future grants.

Federal Requirements

The type and level of audit required by 2 CFR 200 Subpart F is based on the amount of Federal funds expended by an organization in a given fiscal year. Federal awards include financial assistance provided by the Federal government to the entire organization in the form of grants, loans, property, contracts, loan guarantees, etc.

[2 CFR Part 200 Subpart F](#)



Organizations that have expended more than \$750,000 in Federal funds within a fiscal year are required to have a Single Annual Audit conducted. (For fiscal years prior to 2015, the threshold is \$500,000 per fiscal year). A single audit is an audit that includes both an entity's financial statements and its federal awards (from all applicable Federal programs).

Organizations that have expended less than \$750,000 a year in federal funds are exempt from the audit requirement; however, financial records must be made available if requested.

The Audit Process

The Single Annual Audit must be performed by an independent public accountant in compliance with the Single Audit Act of 1997. The grantee is required to permit the independent auditor access to the records and financial statements of the jurisdiction as necessary.

In procuring audit services, grantees should follow the applicable procurement standards found in Chapter 5: Procurement and Contracts. The grantee should ensure that the auditor is knowledgeable about specific accounting requirements that apply to local government.

NOTE: CDBG general administration funds may only be used for the proportional cost of an audit when it is required under 2 CFR 200 Subpart F.

All audits conducted in accordance with 2 CFR Part 200 must be performed in accordance with Generally Accepted Government Auditing Standards (GAGAS) (refer to 2 CFR 200.514(a)). According to the GAGAS standards, a financial audit should determine whether:

[2 CFR Part 200.514\(a\)](#)

- Financial information is presented in accordance with established or stated criteria;
- The entity has adhered to specific financial compliance requirements; or
- The entity's internal control structure over financial reporting and/or safeguarding assets is suitably designed and implemented to achieve control objectives.

In conducting an audit, the grantee must supply the following information to the auditor at the beginning of each audit:

- A copy of the Assistance Agreement;
- A copy of all claims/draws processed during the fiscal year;



- A copy of the monitoring letter, if one was issued during or affecting the fiscal year being audited;
- A copy of the community's most recent budget that includes the CDBG funds for the fiscal year; and
- The location of the records for the CDBG project and the person to contact along with their telephone number.

The Audit Report

[2 CFR Part 200](#), requires that audit reports issued upon completion of an audit include:

- An opinion as to whether financial statements are presented fairly in all material respects in accordance with GAGAS.
- An opinion as to whether the schedule of expenditures is presented fairly in all material respects in relation to the financial statements taken as a whole.
- A report on internal controls related to financial statements and major programs.
- A report on compliance with laws, regulations, and the provisions of contracts or grant agreements.
- An opinion as to whether the auditee organization has complied with laws, regulations, and the provisions of contracts or grant agreements.
- A schedule of findings and questioned costs, which include a summary of the auditor's results and all "audit findings."
- The summary of audit results must include:
 - Type of report the auditor issued on financial statements;
 - A statement that reportable conditions in internal controls were disclosed by the audit (where applicable);
 - Statement on whether the audit disclosed any noncompliance which is material to the auditee's financial statements;
 - Type of report the auditor issued on compliance for major programs;
 - Statement as to whether the audit disclosed any "audit findings";
 - Identification of major programs;



- Dollar threshold used to distinguish between type A and type B programs; and
- Statement as to whether the auditee qualifies as a low-risk organization.

Deadline and Submission

The submission of all audit information is the responsibility of the local government grantee. It is the grantee's responsibility to ensure that completed audit reports are submitted to HCD and the appropriate offices on a timely basis.

Federal Submission Requirements

Under 2 CFR Part 200, audits must be completed within nine (9) months from the end of the fiscal year.

Grantees have no later than 30 days after receipt of the auditor's report or March 31st (whichever is earlier) to submit the final copies to the Federal Audit Clearinghouse (FAC).

According to 2 CFR 200 Subpart F, grantees must make copies of their audit available for public inspection, ensuring that protecting personally identifiable information is not included.

All 2 CFR Part 200 Audits must be submitted to:

[Federal Audit Clearinghouse](#)

[Federal Audit Clearinghouse Public User's Manual](#)

State Submission Requirements

Single audit reporting packages are due nine months after the entity's fiscal year end under **2 CFR 200.512**. For most California entities, the reporting package is due March 31st of each fiscal year. Independent auditors must submit to the State Controller's Office (SCO) one copy of the report by U.S. Postal Service, private carrier, or via File Transfer Protocol (FTP).

[California State Controller's Office Division of Audits](#)

[State Controller's Office Single Audit Timeline](#)

Reports submitted via FTP must be uploaded as an unsecured PDF. Please see the [Single Audits FTP Instructions](#) for more information. If you need additional assistance, please contact the SCO at singleaudits@sco.ca.gov or leave a voicemail message at (916) 324-6442.

Reporting packages should be mailed to the State Controller's Office (SCO), Division of Audits. The SCO has numerous divisions using the same address. To ensure that the package is received



by our Single Audits Unit, it must be addressed exactly as shown below. You may also submit your reporting package to the SCO via FTP. The report must be an unsecured PDF.

For more information about FTP submissions go to [FTP \(File Transfer Protocol\)](#) link in the Submissions section.

Mailing Address:

State Controller's Office
Division of Audits
Financial Audits Bureau/Single Audits Unit
P.O. Box 942850
Sacramento, CA 94250-5874

Street Address for Fed Ex:

State Controller's Office
Division of Audits
Financial Audits Bureau/Single Audits Unit
3301 C Street, Suite 700
Sacramento, CA 95816