



TOWN

OF

EATONVILLE, FLORIDA

COMMUNITY DEVELOPMENT BLOCK GRANT

CDBG-MITIGATION (MIT)

Policies and Procedures

For

2 C.F.R. 200

**Uniform Administrative Requirements,
Cost Principles, and Audit Requirements
for Federal Awards**

Introduction

The Town of Eatonville (the Town) establishes these policies and procedures to ensure compliance with 2 C.F.R 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The purpose is to set standards for compliance with all applicable Federal requirements and adopt best practices as set forth in 2 C.F.R 200 for administering the Town's CDBG-MIT grant award and projects funded and implemented under this award. At a minimum, the Town will maintain and demonstrate a satisfactory record of executing programs or activities under CDBG grant programs and other Federal assistance and grant programs, procurement awards; and integrity and business ethics.

Uniform Administrative Requirements

Risk Evaluation

The Town understands that the Florida Department of Economic Opportunity (DEO) is required to evaluate risks associated with providing it CDBG-MIT funding. The Town understands that such evaluations will be based on the Town's:

1. Financial stability,
2. Quality of management systems and standards,
3. Historical performance record in managing Federal awards, including timeliness of compliance with applicable reporting requirements, and conformance to the terms and conditions of previous Federal awards,
4. Audit reports and findings,
5. Ability to effectively implement statutory, regulatory, or other grant related requirements, and
6. Compliance with guidelines on government-wide suspension and debarment.

The Town will provide DEO any documentation necessary to assist with these required risk evaluations. The Town understands that DEO may impose additional contract conditions based on this risk evaluation.

Certifications and Compliance

The Town will submit to DEO any required certifications and representations.

The Town will maintain an active status in the Federal System for Award Management (SAM.GOV) website and/or the Federal Awardee Performance and Integrity Information System (FAPIIS), as required by DEO, and will require the same of all its contractors and consultants hired for projects that are funded with CDBG-MIT funds, to ensure compliance with suspension and debarment requirements. The Town understands that it is subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, and 2 CFR part 180. The regulations in 2 CFR part 180 restrict awards, subawards, and contracts with certain parties

that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

The Town will operate and manage its CDBG-MIT program and activities in a manner that ensures that Federal funds are expended, and that the CDBG-MIT program is implemented in full accordance with the U.S. Constitution, Federal Law, and public policy requirements: Including, but not limited to, those protecting free speech, religious liberty, public welfare, the environment, and prohibiting discrimination. The Town understands that it is fully responsible for complying with all requirements of the CDBG-MIT award.

Performance Measurement

The Town will cooperate and work with DEO to develop CDBG-MIT performance goals. These program performance goals and objectives, derived from program planning and design, will include specific program goals, indicators, targets, baseline data, data collection, and expected outcomes (such as outputs, or services performance or public impacts of any of these) with an expected timeline for accomplishment. Performance progress must be both measured and reported. As required by the CDBG-MIT agreement, the Town will maintain the necessary documents and data and will provide the same to DEO to measure and report its CDBG-MIT program performance and achievement of program goals and objectives. Additionally, the Town will share lessons learned, improve program outcomes, and foster adoption of promising practices.

Financial Management and Internal Controls

The Town has adopted CDBG-MIT Financial Management Procedures that provide parameters for the Town's financial management systems and internal controls, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the CDBG-MIT award. These procedures provide a sufficient framework that permits the preparation of reports required by general and program-specific terms and conditions; and the tracing of CDBG-MIT receipts and expenditures to a level adequate to establish that CDBG-MIT funds have been used according to the Federal statutes, regulations, and the terms and conditions of the CDBG-MIT agreement. Additionally, the Town will ensure that its financial system adheres to 2 C.F.R 200.302 and provides:

1. Identification, in its accounts, of all Federal awards it receives and expends and the CDBG-MIT program under which they are received. Federal program and Federal award identification will be included, as applicable, as well as the Assistance Listings title and number, Federal award identification number and year, name of the Federal agency, and name of DEO,
2. Accurate, current, and complete disclosure of the financial results of each CDBG-MIT award or program in accordance with the reporting requirements set forth in 2 C.F.R 200.328 and 200.329,
3. Records that adequately identify the source and application of funds for Federally funded activities. These records will contain information pertaining to CDBG-MIT awards, authorizations, financial obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation,

4. Effective control over, and accountability for all funds, property, and other assets. The Town will adequately safeguard all assets and assure that they are used solely for authorized purposes,
5. Comparisons of expenditures with budget amounts for each CDBG-MIT award.
6. Written procedures to implement the requirements of 2 C.F.R 200.305 for CDBG-MIT payments, and
7. Written procedures for determining the allowability of costs in accordance with applicable citations of 2 C.F.R. 200.400-476 and the terms and conditions of the CDBG-MIT award.

The Town will establish and maintain effective internal controls over the CDBG-MIT award that:

1. Provide reasonable assurance that the Town is managing the CDBG-MIT award in compliance with Federal statutes, regulations, and the terms and conditions of the CDBG-MIT award,
2. Ensure compliance with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the CDBG-MIT award,
3. Evaluate and monitor its contractors for compliance with statutes, regulations and the terms and conditions of the CDBG-MIT award,
4. Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings, and
5. Take reasonable measures to safeguard protected personally identifiable information and other information designated as sensitive by the Town or DEO, as long as the information considered sensitive, is consistent with applicable Federal, State, and local laws regarding privacy and responsibility over confidentiality.

Bonds

The Town shall require bonding for all construction contracts in accordance with 2 C.F.R. 200.326 and Chapters 255.05-051, Florida Statutes. A Bid bond for five percent (5%) and Performance and Payment Bonds for one hundred percent (100%) of the contracted amount shall be required for all construction contracts exceeding this amount.

CDBG Payments

The Town understands that typically DEO will make payments of CDBG-MIT funds as reimbursements. The Town understands that it may only receive CDBG-MIT draw downs in advance in instances where it can demonstrate to DEO that it does not have sufficient working capital to implement the CDBG-MIT project and can meet the criteria of 2 C.F.R. 200.305.

For projects drawing funds in advance, the Town will limit the time elapsing between the time it receives CDBG-MIT funds from DEO and the time it disburses payments to contractors and consultants, to three (3) business days following the deposit of CDBG-MIT funds. Such advanced payments will be deposited in a separate non-interest-bearing account (accounts likely not to produce interest in excess of \$500 per year) as advanced funds. Any interest earned must be reported and returned to DEO.

The Town will report and disburse funds available from program income (including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds after a DEO amended agreement and before requesting additional CDBG-MIT payments.

Cost Sharing or Matching

The Town will document and report to DEO any shared costs or matching funds and all contributions, including cash and third-party in-kind contributions. The Town will utilize 2 C.F.R. 200.306, State of Florida Statutes and Rules as well as all DEO CDBG-MIT program and agreement requirements for the parameters of what can be considered shared costs or matching dollars.

Program Income

The Town will address, utilize, expend and/or return program income to DEO in accordance with 2 C.F.R. 200.307, the Town's Financial Management Procedures, its Quality Assurance and Quality Control Procedures, and CDBG-MIT program rules and agreement requirements.

Program income received by a Town must be recorded in the Town's 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 Town will report any program income generated from CDBG projects in the Monthly and/or Quarterly Status Reports. The Town will return any program income to DEO that is generated after the closeout of the DEO CDBG-MIT agreement. The Town understands that any program income generated prior to closeout must be returned to DEO, unless the program income can be used for additional units of CDBG-MIT activities that are specified in a modification to the agreement that has been executed prior to the agreement's closeout. It also understands that program income included in the project by modification to the agreement must be used in accordance with 2 C.F.R. 200, 24 C.F.R. part 570.504 and the terms of the CDBG-MIT agreement.

Revision of Program Budget, Periods and Plans

The Town will discuss all proposed changes to the CDBG-MIT agreement's budget(s), scope of work, deliverables, end dates and work plans with DEO and will initiate a request for a formal agreement modification, from DEO, in circumstances where a modification is required. The Town understands that agreement modifications, especially agreement extensions, are reviewed and approved by DEO on a case-by-case basis.

Property Standards

The Town will abide by the standards and requirements regarding property as outlined in 2 C.F.R. 200.310-316.

These standards include requirements that the Town will ensure:

- That all real property and allowable equipment acquired or improved with CDBG-MIT is adequately insured equal to the insurance held on the Town's properties not purchased or improved with CDBG-MIT funds.
- The title to the property will be in the Town's name.
- Real property, funded with CDBG-MIT, will be used for the originally authorized purpose as long as needed for that purpose, during which time the Town will not dispose of or encumber its title or other interests in the property.
- The Town may dispose of the real property when it is no longer needed for the original use following receipt from DEO that instructs the Town to proceed in one of the following manners:
 - The Town retains title after paying back DEO. The amount to be paid to DEO will be pro-rata percentage of CDBG participation in the cost of the original purchase (and costs of any improvements) to the fair market value of the property.
 - The Town sells the property and pays back DEO from the proceeds. The amount to be paid to DEO will be percentage of the net proceeds (after actual reasonable selling and fix up costs). The percentage will be determined by the pro-rate percentage CDBG participation in the cost of the original purchase (and costs of any improvements) to the fair market value of the property.
 - The Town transfers title to DEO and is compensated for a percentage amount equal to the percentage of non-CDBG participation.

Equipment

The Town typically does not use CDBG-MIT funding for the purchase of equipment. In instances where it does utilize CDBG-MIT funding to acquire equipment, it will follow 2 C.F.R. 200.313 and 2 C.F.R. 200.439 as to the title, use and disposition of the property acquired with the CDBG funding.

Supplies

The Town typically does not use CDBG-MIT funding for the purchase of supplies. In instances where it does utilize CDBG-MIT funding to acquire supplies, it will follow 2 C.F.R. 200.314 as to the title, use and disposition of the property acquired with the CDBG funding.

Intangible Property

The Town typically does not use CDBG-MIT funding for the purchase of intangible property. In instances where it does utilize CDBG-MIT funding to acquire intangible property, it will follow 2 C.F.R. 200.315 as to the title, use and disposition of the property acquired with the CDBG funding.

Property Trust Relationship

Any real property, equipment, and intangible property, that the Town acquires or improves with CDBG-MIT funding will be held in trust by the Town as trustee for the beneficiaries of the project or program under which the property was acquired or improved. The Town understands that DEO may require it to record liens or other appropriate notices of record

to indicate that personal or real property has been acquired or improved with CDBG-MIT assistance and that conditions for use and disposition apply to the property.

Procurement

The Town will ensure full, fair and open competition for all procurement transactions to be funded with CDBG-MIT funding. To this end, the Town has adopted a stand-alone CDBG-MIT Procurement Policy which meets the requirements of 2 C.F.R. 200.317-327, as well as those applicable in Chapters 120.57, 255.05, 255.0525, and 287.055, Florida Statutes. Additionally, the Town has adopted procurement guidance in its Quality Control and Quality Assurance procedures.

Performance and Financial Monitoring and Reporting

Financial Monitoring

To ensure effective monitoring of the CDBG-MIT award, the Town will provide DEO the required OMB-approved financial data as required by DEO and 2 C.F.R. 200.328. The Town will provide this financial information as required by the terms and conditions of the CDBG-MIT award and the CDBG-MIT agreement. Reporting will be included in the request for funds, the monthly and/or quarterly reporting, during DEO monitorings and in its annual audit. In certain circumstances, the Town understands that it may be required to provide financial reporting to DEO more frequently.

Monitoring and Reporting Program Performance

The Town understands that it is responsible for oversight of the operations of its CDBG-MIT award activities. The Town will fully cooperate with DEO in its monitoring of the CDBG-MIT funded programs and activities to assure compliance with Federal requirements and to ensure that performance expectations are being met.

Reporting will be included in the monthly and/or quarterly reporting, with DEO monitorings, and in the annual audit. The Town will provide prompt responses to any monitoring findings or concerns should DEO identify the same through its monitoring.

Reporting on Real Property

The Town will submit reports to DEO at least annually, as required, on the status of any real property purchased with CDBG-MIT, or other Federal funds.

Retention of Records and Access to Records

The Town will adhere to retention of records requirements outlined in 2 C.F.R. 200.334. The Town additionally will adhere to the DEO requirements for records retention periods, which are longer than those outlined in the Federal Regulation. The Town will provide required documents to DEO, the State Auditor General, Florida Chief Financial Officer, the U.S. Department of Housing and Urban Development (HUD), Inspectors General, and the Comptroller General of the United States, as requested during the retention periods. When practicable, the Town will store documentation in an electronic format.

Remedies for Non-Compliance

The Town will take every measure to administer its CDBG-MIT grant in compliance with the Constitution, all state and Federal statutes, regulations, rules and specific program requirements. In the event, the Town is found to be in non-compliance with administering the CDBG-MIT grant, it understands that DEO may impose additional conditions on the Town's grant. The Town further understands that if these conditions do not remedy the non-compliance, DEO may take one or more of the following actions:

1. Temporarily withhold cash payments pending correction of the deficiency by the Town or impose more severe enforcement action,
2. Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance,
3. Wholly or partly suspend or terminate the CDBG-MIT grant agreement,
4. Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and HUD regulations or recommend such a proceeding be initiated by HUD,
5. Withhold further CDBG or other Federal assistance for the project or program, and
6. Take other legally available remedies.

Termination

The Town understands that it may terminate its CDBG-MIT grant with proper written notice to DEO. The Town additionally understands that its CDBG-MIT grant may be terminated, with written notice by the DEO or HUD. The Town is aware that it has a right to appeal a DEO or HUD decision to terminate its CDBG-MIT grant, within 30 days following receipt of the written notice to terminate.

Closeouts

The Town will, within 30 days following the expiration of the CDBG-MIT agreement, submit all required closeout documentation, required financial, beneficiary, completion, and other required reports, final requests for funds, certifications of completion, releases of liens, and return of any CDBG-MIT funds that are unused or found to be overpaid after adjustments by DEO or HUD. The Town understands that if it fails to submit all the necessary reports within one year of the period of performance end date, DEO and HUD must report the Town's failure to comply with the terms and conditions of the award with the OMB-designated integrity and performance system (currently FAPIIS. HUD and/or DEO may also pursue other enforcement actions. Furthermore, the Town understands that a closeout of the CDBG-MIT grant agreement does not affect the following:

1. DEO's and HUD's right to disallow and recover funds at any time including following the final audit,
2. The requirement for Town to return funds due as a result of late refunds, corrections, or other transactions including final indirect cost rate adjustments,
3. The ability of HUD or DEO to make financial adjustments to a previously closed award such as resolving indirect cost payments and making final payments.
4. Audit requirements,
5. Property management and disposition requirements, and

6. Records retention as required in 2 C.F.R 200.334 through 200.337.

Collection of Amounts Due

The Town understands that any funds it receives in excess of the amount to which the Town is finally determined to be entitled to under the terms of the CDBG-MIT award constitute a debt to the Federal Government. If not paid within 90 calendar days after demand, HUD and/or DEO may reduce the debt by making an administrative offset against other requests for funds; by withholding advance payments otherwise due to the Town; or may take other actions as permitted by Federal statute. The Town understands that they may be charged interest for funds not returned to DEO or HUD in a timely manner. Such interest may be charged by HUD on an overdue debt in accordance with the Federal Claims Collection Standards (31 CFR parts 900 through 999). The date from which interest is computed is not extended by litigation or the filing of any form of appeal.

Cost Principles

General Provisions

Policy Guide

The Town will utilize the applicable Cost Principles found in 2 C.F.R. 200.400-476 and appendices, along with sound management practices to efficiently and effectively administer its CDBG-MIT program. The Town acknowledges that it is responsible for the CDBG-MIT funding and utilizing its staff, facilities, and experience will employ sound organization and management techniques necessary to assure proper and efficient administration of the CDBG-MIT program.

The Town will ensure that these cost accounting principles are applied on a consistent basis. The Town will ensure that its accounting practices are consistent with these cost principles, that they support the accumulation of costs as required by the principles, and that they provide for adequate documentation to support costs charged to the CDBG-MIT award.

The Town understands that it may not earn or keep any profit resulting from the CDBG-MIT award.

Application

The Town will apply the Cost Principles in determining allowable costs to be paid for by its CDBG-MIT award; and as a guide for the pricing of fixed priced-contracts and subcontracts where costs are used to determine the appropriate price.

Basic Considerations

The Town understands that the total amount of CDBG-MIT funds it draws down must equal the sum of all allowable direct costs and all allocable indirect costs.

Allowable Costs

The Town understands that for costs paid for with CDBG-MIT to be allowable, they must:

1. Be necessary and reasonable for the performance of the CDBG-MIT award and be allocable thereto under the cost principles.
2. Conform to any limitations or exclusions set forth in the cost principles or in the CDBG-MIT award and agreement as to types or amount of cost items.
3. Be consistent with policies and procedures that apply uniformly to both Federally financed and other activities of the Town.
4. Be given consistent treatment. A cost may not be assigned to a CDBG-MIT award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the CDBG-MIT award as an indirect cost.
5. Be determined to be in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise outlined in the regulations.
6. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federally financed program in either the current or a prior period.
7. Be adequately documented.
8. Be a cost incurred during the approved budget period.

Reasonable Costs

The Town understands that for costs paid for with CDBG-MIT to be considered reasonable, they do not exceed amounts 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:

1. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the Town or the proper and efficient performance of the CDBG-MIT award.
2. The 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 CDBG-MIT award and agreement.
3. Market prices for comparable goods or services for the geographic area.
4. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the Town, its employees, the public at large, and the Federal Government.
5. Whether the Town significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the CDBG-MIT award's cost.

Allocable Costs

The Town will follow the direction of 2 C.F.R. 200.404 in allocating costs for its CDBG-MIT. The Town acknowledges that for a cost to be allocable to its CDBG-MIT award or other cost objective, the goods or services involved must be chargeable or assignable to that CDBG-MIT award or cost objective in accordance with relative benefits received. This standard is met if the cost:

1. Is incurred specifically for the CDBG-MIT award,
2. Benefits both the CDBG-MIT award and other work of the Town and can be distributed in proportions that may be approximated using reasonable methods, and

3. Is necessary to the overall operation of the Town and is assignable in part to the CDBG-MIT award in accordance with the cost principles in 2 C.F.R. 200.

Prior Written Approval

To avoid subsequent disallowance or disputes based on unreasonableness or non-allocability, the Town will seek prior written approval from DEO or HUD regarding the reasonableness and allocability of indirect costs as well as advanced approval of special or unusual costs prior to the incurrence of such costs. The request for prior written approval will include the timeframe and the scope of the CDBG-MIT agreement.

Collection of Unallowable Costs

The Town will refund to DEO any payments it receives for costs determined by either DEO or HUD to be unallowable, either as direct or indirect costs. Such funds will be refunded (including interest) as instructed by DEO.

DIRECT AND INDIRECT COSTS

Classification of Costs

There are two classifications for costs: direct and indirect. Because there can be variances of how a cost can be classified, the Town will treat a cost consistently, in like circumstances, as either a direct or an indirect cost in order to avoid possible double charging of CDBG-MIT awards. Guidelines for determining direct and indirect facilities and administration (F&A) costs charged to Federal awards are as follows:

Direct Costs

Costs that are directly identified with the CDBG-MIT award are considered direct costs. Direct costs that are unallowable under the rules for the CDBG-MIT award, must also be included in order to calculate indirect cost rates.

Indirect (F&A) costs.

Indirect Facilities and Administration Classification (F&A) Costs are classified within two broad categories: "Facilities" and "Administration." "Facilities" is defined as depreciation on buildings, equipment and capital improvement, interest on debt associated with certain buildings, equipment and capital improvements, and operations and maintenance expenses. "Administration" is defined as general administration and general expenses such as the director's office, accounting, personnel and all other types of expenditures not listed specifically under one of the subcategories of "Facilities" (including cross allocations from other pools, where applicable).

Required Certifications

The Town will provide the following certifications and any others required by DEO and/or HUD:

1. A certification, signed by the Town's Chief Elected Official/Chief Financial Officer, who is authorized to legally bind the Town, for project budgets, annual and final fiscal reports and audits and requests for funds invoices that reads: "By signing

- this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise.
2. Cost allocation plans or indirect (F&A) cost rate proposals (if utilized by the Town) will be certified by the Town's Chief Elected Official and Chief Financial Officer using the Certificate of Cost Allocation Plan or Certificate of Indirect Costs language, found respectively in Appendix V and VII to 2 C.F.R. 200.

Cost Allocation Plans and Indirect Cost Proposals

The Town will follow the requirements in appendices V, VI and VII to 2 C.F.R. 200 for development and submission of cost allocation plans (for central service costs and public assistance programs) and/or indirect cost rate proposals.

Considerations for Selected Items of Cost

The Town will follow the cost principles to be applied for establishing the allowability of certain items involved in determining cost, in addition to the requirements of Subtitle II of 2 C.F.R. 200. These principles apply whether or not a particular item of cost is properly treated as direct cost or indirect (F&A) cost. The Town will abstain from unallowable costs such as the costs for new housing, entertainment, political activities, equipment (in most instance), idle facilities, government operations, government buildings (except fire stations), goods or services for personal use of Town employees, contributions and donations, contingency funds, fund raising, fines, penalties and settlements, donated personal property and space, lobbying, and the purchase of alcoholic beverages. Both allowable and unallowable costs are addressed in 2 C.F.R. 200.421-476. The following sections address the allowability of costs that the Town likely will encounter in the implementation of its CDBG-MIT award and which it would seek reimbursement for from CDBG-MIT funding.

Advertising

The Town will follow the cost principles found in 2 C.F.R. 200.421 when expending CDBG-MIT funds for advertising. Such expenditures will be for advertising required citizens' participation hearing(s), procurement of professional and construction services, and conducting CDBG-MIT required activities that include but are not limited to the promotion of Fair Housing and efforts toward obtaining participation of Minority and Women Business Enterprises and Section 3 businesses or persons.

Audit Services

The Town understands that a reasonably proportionate share of the costs of audits required by, and performed in accordance with, the Single Audit Act Amendments of 1996 (31 U.S.C. 7501-7507), are allowable. When incurring cost for audits and requesting reimbursement from its CDBG-MIT funding for audits, the Town will follow the cost principles found in 2 C.F.R. 200.425.

Bonding Costs

In instances where the Town requires assurances against financial loss to itself or others by reason of the act or default, it may require bid, performance, and payment bonds. The Town understands that costs of such bonding, required pursuant to the terms and conditions of the CDBG-MIT award are allowable.

Compensation for Personnel Costs

The Town may elect, in some instances, to utilize its employees for implementing all or a portion of its CDBG-MIT program. The Town understands that costs for employees' time that can be linked directly to the CDBG-MIT project are allowable as prescribed under 2 C.F.R. 200.430. The Town will review the requirements of its CDBG-MIT award and will consult with DEO on the allowability and required documentation for such costs.

Compensation for Fringe Benefits

In instances where the Town elects to utilize its employees for implementing all or a portion of its CDBG-MIT program, the Town understands that in addition to salaries, the costs of some fringe benefits for its employees are allowable. The Town will review the requirements of its CDBG-MIT award and agreement, will consult with DEO on the allowability and required documentation for such costs, and will follow the cost principles found under 2 C.F.R. 200.431 related to fringe benefits in incurring such costs.

Conferences

The Town may find a need to host meetings, or workshops that provide the public and Town partners technical information that is necessary and reasonable for successful performance of its CDBG-MIT award. The Town understands that allowable costs for such meetings or workshops may include rental of facilities, speakers' fees, local transportation, and other items incidental to such conferences, unless further restricted by the terms and conditions of the State Statutes and the CDBG-MIT award. The Town will consult with DEO prior to incurring such costs and will exercise discretion and judgment in ensuring that conference costs are appropriate, necessary and managed in a manner that minimizes costs to the CDBG-MIT award.

Equipment and Other Capital Expenditures

The Town understand that the purchase of equipment is typically an ineligible CDBG-MIT cost under 24 C.F.R. 570.207. The Town understands that some equipment costs that are necessary for its use to administer the CDBG-MIT program may be allowable. While such purchases are likely to be rare, in instances where they are necessary, the Town will submit requests in writing to DEO for approval to purchase such equipment prior to incurring costs for the equipment. When equipment costs are found to be necessary, allowable and are approved by DEO, the Town will follow the requirements set forth in 2 C.F.R. 200.439, 2 C.F.R. 200.453, the requirements found in the CDBG-MIT agreement, and the requirements of its procurement policy in incurring such costs.

Pre-Award Costs

The Town may, in some instances, request reimbursement for pre-award costs for its CDBG-MIT project. These costs, (typically administrative in nature) incurred prior to the effective date of the CDBG-MIT award, would be costs that are necessary for efficient and timely performance of the scope of work. Such costs would be sought after directly pursuant to the negotiation and in anticipation of the CDBG-MIT award. The Town understands that such pre-award costs may or may not be allowable. The Town will submit written requests to DEO for approval of such costs and will not incur these costs without prior written approval from DEO. If the pre-award costs are allowable, they will only be costs that would have been allowable if incurred after the date of the Town award.

Professional Service Costs

The Town understands that costs for contracting for professional and consultant services to conduct administrative and planning services for its CDBG-MIT program are allowable, so long as the services are rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the Town. In evaluating its need for such professional services, the Town will assess its current required service needs, its in-house capabilities and capacity, its history of similar costs, the overall impact of the CDBG-MIT award on the Town's business, whether the services provided from the consultant could be performed more economically in house, the qualifications of the consultant(s), the strength of the consultants proposed services to be delivered, the timeframes in which they will be delivered, the rate of compensation and the provisions for termination. The Town will procure all such professional services following the requirements of 2 C.F.R. 200.317-327, its procurement policy, and where applicable 287.055 Florida Statutes.

Proposal Costs

The Town understands that the costs of preparing bids, proposals, or applications, the costs of preparing bids, proposals, or applications are allowable under 2 C.F.R. 200.460.

Taxes

The Town understands that under 2 C.F.R. 200.470, CDBG-MIT related taxes that it is legally required to pay (e.g., such as Florida Sales Tax) are allowable, except for self-assessed taxes that disproportionately affect Federal programs or changes in tax policies that disproportionately affect Federal programs. This provision does not restrict the authority of DEO or HUD to identify taxes where CDBG-MIT participation is inappropriate.

Telecommunication Costs

The Town may, in some instances, find it necessary to incur telecommunications costs in its implementation of CDBG-MIT activities. While such instances are likely to be rare, the Town will follow the requirements of 2 C.F.R 200.471 when the incurrence of such costs is deemed necessary.

Training and Education Costs

The Town may, in some instances, find it necessary to incur allowable costs for training (attendance of workshops) its governing body and employees to better administer and implement the CDBG-MIT award activities. The Town understands that the allowability of such costs is subject to 2. C.F.R 200.473, the requirements in the CDBG-MIT agreement, and written approval from DEO.

Transportation Costs (Freight and Postage).

The Town understands that costs incurred for CDBG-MIT activities related freight, express, cartage, postage, and other transportation services relating either to goods purchased, in process, or delivered, are allowable. The Town will follow 2 C.F.R. 200.474 in incurring such costs.

Travel

The Town may, in some instances, find it necessary to incur travel costs in its implementation of CDBG-MIT activities. While such instances are likely to be rare, the Town will follow the requirements of 2 C.F.R 200.475 and Chapter 112, Section 061, Florida Statutes, in instances that do require the Town to incur program related travel costs. Additionally, the Town will provide a written request in writing to DEO for approval to incur such program related travel cost and will not incur such costs until it has received DEO approval.

Summation on Costs

While the above addressed cost areas do not encapsulate all of the cost principles included in 2 C.F.R. 200.421-476, the above costs are those that the Town has identified as costs likely to be encountered in its implementation of the CDBG-MIT program. In instances where the Town requires clarification on the allowability of the costs to be reimbursed by the CDBG-MIT award, it will seek such clarification from DEO.

Audit Requirements

The Town will adhere to and provide audits in accordance with the requirements set forth in 2 C.F.R 200.500-521, Chapter 215.97 Florida Statutes, and the CDBG-MIT agreement. The Town will submit a single-act or program-specific audit if it expends \$750,000 or more in total (not just CDBG) federal funds during its fiscal year.

Determining Federal Awards Expended

The determination of when a Federal award is expended will be based on when the activities related to the Federal award(s) occur(s). Generally, the activity pertains to events that require the Town to comply with Federal statutes, regulations, and the terms and conditions of Federal awards, such as: expenditure/expense transactions associated with awards including grants.

The Town will at a minimum meet audit requirements by:

- Maintaining detailed and organized financial records that accurately document the expenditures of all Federal funds in its accounting system,

- Providing its auditor with accurate financial records and reporting of all Federal expenditures,
- Submitting a Single Act or Program Specific Audit for the years that it expends \$750,000 or more in federal funds, no later than June 30, to:
 - Federal Audit Clearinghouse (FAC) via the FAC's website portal (<https://facides.census.gov/Account/Login.aspx>),
 - DEO electronically at audit@deo.myflorida.com or by hard copy to Department of Economic Opportunity, MSC #130, 107 East Madison Street, Tallahassee, Florida 32399-4126, and
 - the Florida Auditor General electronically at <https://flauditor.gov> or by hard copy to Local Government Audits/342 Claude Pepper Building, Room 401, 111 West Madison Street, Tallahassee, Florida 32399-1450,
- Submitting a DEO Audit Certification Memo to the DEO grant manager and to audit@deo.myflorida.com, certifying that no audit is due, no later than June 30, for years that it does not expend \$750,000 or more in Federal funds,
- Submitting an Audit Compliance Certification (an attachment to the CDBG-MIT agreement) to the DEO grant manager and to audit@deo.myflorida.com, no later than sixty calendar days following the end of its fiscal year, certifying whether or not the Town expended \$750,000 or more in Federal funds or State funds, and whether or not it will owe a single-act audit,
- Responding in a timely manner to any potential audit findings or issues and to any potential DEO Audit Management Letters, and
- Taking necessary proactive steps to avoid future audit findings or issues.

Common Deficiencies

The Town 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 Town will take necessary measures to be prepared for and to avoid these inadequacies.

Retention of Audits

The Town will retain sufficient records demonstrating its compliance with the terms of the CDBG-MIT agreement for a period of five (5) years from the date the final audit report is issued, or six (6) state fiscal years after all reporting requirements are satisfied and final payments have been received, whichever period is longer, and will allow DEO, or its designee, the Florida Chief Financial Officer (CFO), or State Auditor General access to

such records upon request. The Town will ensure that audit working papers are made available to DEO, or its designee, the CFO, or the State Auditor General upon request for a period of six (6) years from the date the final audit report is issued, unless extended in writing by DEO. In addition, if any litigation, claim, negotiation, audit, or other action involving the records has been started prior to the expiration of the controlling period as identified above, the Town will retain audit and audit related records until completion of the action and resolution of all issues which arise from it, or until the end of the controlling period as identified above, whichever is longer.

Conclusion

The Town will utilize these policies and procedures to ensure compliance with 2 C.F.R 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The Town will make every effort to implement and administer its CDBG-MIT award in compliance with all applicable Federal requirements utilizing best practices as set forth in 2 C.F.R 200 and these policies and procedures. The Town will strive to maintain and demonstrate an exemplary record of executing the activities under its CDBG-MIT grant program, other Federal assistance and grant programs, and in maintaining practices that are administered with integrity and strong business ethics.