



**TOWN  
OF  
EATONVILLE, FLORIDA**

**FINANCIAL MANAGEMENT PROCEDURES**

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## **Financial Management Policy and Procedures**

### **Introduction**

The Town of Eatonville (the Town) will manage all financial aspects of the CDBG-MIT 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-MIT awards will be included in the Town'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-MIT funding will be used with CDBG-DR funding, the funding sources and uses will be clearly represented as separate funding streams and expenses in the Town's accounting systems. The Town'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 Town acknowledges that it is solely responsible for the financial management and control of CDBG-MIT funds it receives. This document is the Town's accounting procedures that will be followed to comply with state and federal requirements for financial management. The Town 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-MIT – supported project, including “reasonableness, allowability, and allocability” of costs
- Procedures to comply with the timely distribution of funds

The Town's CDBG responsibility is divided between the local CDBG program administration office that has primary responsibility for CDBG-MIT program administration and the finance officer. The Town's program administration office along with Town management are responsible for reviewing and approving all transactions involving CDBG-MIT 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-MIT funds
- Receipt and approval of invoices
- Assurance that transactions involving CDBG-MIT funds are properly coded
- Review of and approval of requisitions for payments involving CDBG-MIT funds

The finance officer is responsible for maintaining official CDBG-MIT 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 Town's auditor in preparing an annual financial audit

The Town 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.

### **Monitoring**

The Town will be prepared and have the necessary documentation available for DEO monitoring of its financial system and financial transactions and understands that 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 Town's:
  - internal controls,
  - separation of duties,
  - the accounting system used by the Town, 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 Town'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 DEO website. The Town will respond in a timely manner to any potential 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 Town 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 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 Town's system of internal controls will outline specific program and financial management responsibilities and will enable the Town to maintain the necessary records needed for compliance with Florida law and federal requirements. Where possible, the Town's accounting policies and procedures will mirror the requirements of the Florida Office of the Auditor General.

### **Financial System**

The Town will ensure that all source documentation for each transaction is adequately maintained and provided upon request with all details deemed necessary by 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 Town acknowledges that a variety of source documents and records are needed to properly account for CDBG-MIT transactions.

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

- were incurred during the effective period of the Town'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 Town.

These documents include the following:

- **Purchase Orders** (if utilized) will be prepared in the same format as other purchase orders except that appropriate CDBG-MIT program classification data will be coded on the document. Purchase orders, when utilized, will be approved by the Town'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-MIT 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 Town 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-MIT contracts.
- **Vendor Invoices** to be paid with CDBG-MIT 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-MIT funds. Employees will complete time sheets that indicate the number of hours worked on CDBG-MIT 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 Town understands that payroll expenses can only be paid from CDBG-MIT funds based on time and attendance records.
- **CDBG Financial Files** that demonstrate the program's financial soundness and regulatory compliance. The Town will maintain an orderly record of CDBG-MIT transactions that will withstand the scrutiny of DEO monitoring and an audit. The Town'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-MIT 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 Town, 2) invoices from vendors that have been signed off by the Town 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-MIT program that have not yet been recorded in the Cash Receipts Journal or posted to the CDBG-MIT Cash Control Register. Documentation will also include each completed request for funds package submitted to DEO through SERA.
- **Personnel Payroll File:** This file will contain a record for each employee who works on CDBG-MIT activities and includes the rate at which the employee's salary can be charged to the CDBG-MIT program. Time sheets showing the amount of time each employee spends on CDBG-MIT activities will be kept on file. This file will be maintained in addition to the local government's official personnel records.

### **Permanent Files**

The Town 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-MIT contract payment transactions in a CDBG-MIT 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 DEO financial monitoring, complete request for funds packages will be included in a permanent request for funds (RFF) file.

### **CDBG Accounting Records**

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

- **Cash-receipts Journal:** All receipts of cash that are deposited into the CDBG-MIT account(s) will be recorded in the cash-receipts journal. Receipts may include contract payments to the Town from the CDBG-MIT 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-MIT 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 Town will enter all expenditures for CDBG-MIT 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-MIT program activities the disbursements address.
- **Property Register:** The Town will maintain a listing of all property acquired in part or entirely using CDBG-MIT 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 Town will establish and utilize a detailed activity ledger that records all financial transactions, including receipts and expenditures, under a CDBG-MIT agreement. In instances when the Town has several ongoing projects (e.g., Smith Street sewer-line installation and Jones Street repaving), the Town 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-MIT financial reporting and control, the Town will utilize a CDBG-MIT 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-MIT cash on hand
  - Balance of CDBG-MIT 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-MIT cash on hand and line-item budget balances. The Town will review the Cash Control Register on a regular basis to endure ongoing compliance with CDBG-MIT 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-MIT program come primarily from the state as contract payments based on Requests for Funds. The Town will log all CDBG-MIT project



related cash receipts from all sources including DEO and other sources in a Cash Receipts Journal, a CDBG-MIT Cash Control Register, and a detailed Project Ledger.

### **Accounting for Cash Disbursements**

The Town will establish specific days on which it will disburse CDBG-MIT funds. The frequency of these payment dates will depend on transaction volumes. To allow time for orderly processing and requisitioning of CDBG-MIT contract funds, cut-off dates for receipt of invoices to be paid in the next pay date will be established. The Town 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 Town during compliance monitoring or inspections have been corrected. The Town will require contractor invoices that fully explain and document the reason for the disbursement. The Town will then 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 Town'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 Town'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 Town's engineer must inspect the work site(s) and provide a Certification of Completion, and the Town 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-MIT -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-MIT 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-MIT award.

- The expenditure is consistent with policies and procedures that apply uniformly to both federally funded and other activities of the state or the Town.
- 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 Town will ensure that all costs under the CDBG-MIT 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-MIT agreement or not related to the CDBG-MIT 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 Town will ensure that all costs under the CDBG-MIT 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 Town will ensure that all costs under the CDBG-MIT 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 Town 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 Town 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 Town will report any program income generated from CDBG projects in the Quarterly Status Report. The Town will return any program income generated after the closeout of the CDBG-MIT agreement to DEO. The Town also 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 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-MIT agreement.

### **Annual Audits**

The Town 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 Town expends \$750,000 or more in federal funds, it will submit a Single Act or Program Specific Audit to DEO and the Florida Auditor General no later than June 30. For years that the Town expends less than \$750,000 in federal funds, it will submit a DEO Audit Certification Memo to DEO no later than June 30. Additionally, the Town 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 Town will respond in a timely manner to any potential audit findings or issues and to any potential DEO Audit Management Letters.

### **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 the necessary measures to be prepared and avoid these inadequacies.

### **CDBG Payments**

Prior to transmission of contract funds, the Town will complete and submit to the CDBG-MIT program a Subrecipient Enterprise Resource Application (SERA) system Access Authorization Form. The Town understands that this form is used to inform

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 Town'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-MIT funds will be transmitted.

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

The Town will ensure that there is no comingling of funds by placing CDBG-MIT 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-MIT grant. For CDBG-MIT projects that are funded through an advance process, the Town 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 DEO for return to the U.S. Treasury.

The Town will submit requests for funds through the DEO SERA system. To ensure the timely expenditure of CDBG-MIT funds the Town will submit requests for funds on a regular basis and in accordance with the CDBG-MIT agreement's Scope of Work, Project Detail Budget and Activity Work Plans. These request for funds will include a signed invoice from the Town as well as all contractor invoices, cancelled checks and other documentation required by DEO that supports the expenditures reflected in the Town's invoice.

The Town will not expend or obligate more than \$5,000 for administration, prior to receiving a Release of Funds from the CDBG-MIT program. The release will clearly state that environmental conditions have been removed and funds have been released for expenditure. Furthermore, the Town will not draw funds for any activity that has been conditioned in the contract agreement until a Removal of Special Conditions is granted by DEO. The Town 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 DEO's CDBG-MIT program or program income) and spending cash for eligible activities. Every CDBG-MIT financial transaction will be recorded in the accounting records as soon as possible. The Town will ensure timely and accurate recording of financial transactions utilizing the appropriate source documents, files, and accounting records. The Town 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 Town 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 Town

will provide access to these records and audits to DEO, Florida's CFO, and the Auditor General upon request for a period of six (6) years following the final audit, unless extended by DEO. The Town 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.

Effective Date.

This resolution shall take effect immediately upon its adoption.

**DULY PASSED AND ADOPTED** by the Town Council of the Town of Eatonville, Florida at a regular meeting on this \_\_\_\_\_ day of \_\_\_\_\_, 2023.

\_\_\_\_\_  
Angie Gardner, Mayor

**ATTESTED:**

\_\_\_\_\_  
Veronica King, Town Clerk