

4 FINANCIAL MANAGEMENT

4.1 POLICY OVERVIEW

This chapter is written as an extension of the policy articulated in the Certification of Proficient Controls, Processes, and Procedures for CDBG-DR Public Law 116-20 Grant. This chapter provides additional detail to expand upon the processes described within the certifications and supersedes the procedures articulated within said certifications. Financial Management is central to the CDBG-DR program. Subrecipients and Successful Applicants must ensure that all costs charged to the program are necessary, reasonable, allowable, and allocable as described below and in the referenced regulations.

4.2 FINANCIAL MANAGEMENT POLICY

In maintaining a financial management system, DED and its Subrecipients and Successful Applicants are required to follow 2 CFR Part 200, “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,” and 24 CFR Part 570, “Community Development Block Grants.” Specific CDBG-DR regulations pertaining to financial issues include but are not limited to those items listed in **Table 1**.

Table 1: CDBG-DR Financial Regulations

| Regulation | Description |
|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
| 24 CFR Part 570 - "Community Development Block Grants" | Subpart I govern the State CDBG program. 24 CFR § 570.489 details program administrative requirements. |
| 2 CFR Part 200 Subpart A (§200.0 - §200.1) | Acronyms and Definitions |
| 2 CFR Part 200 Subpart B (§200.100 - §200.113) | General Provisions |
| 2 CFR Part 200 Subpart C (§200.200 - §200.216) | Pre-Federal Awards Requirements and Contents of Federal Awards |
| 2 CFR Part 200 Subpart D (§200.300 - §200.346) | Post Federal Award Requirements |
| 2 CFR Part 200 Subpart E (§200.400 - §200.476) | Cost Principles |
| 2 CFR Part 200 Subpart F (§200.500 - §200.521 and Appendix I to Part 200 – Appendix XII to Part 200) | Audit Requirements |

2 CFR § 200.302 requires that DED and its Subrecipients and Successful Applicants who receive CDBG-DR funds each have a financial management system to provide 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 for determining reasonableness and allowable costs;
- Accounting records that are supported by appropriate source documentation such as canceled checks, paid bills, payroll records, time and attendance records, contracts, and subgrant award documents, etc.; and
- A systematic method to assure timely and appropriate resolution of audit findings and recommendations.

The three (3) basic functions, which must be served by the financial management system, are:

- The financial management system must have an identified procedure for recording all financial transactions;
- All expenditures should be related to allowable activities in the Subrecipient Agreement, Funding Agreement, or similar contract approved by DED; and
- All expenditures of CDBG-DR funds must be in compliance with applicable laws, rules, and regulations.

In addition, the use and accounting for CDBG-DR funds are governed by CDBG-DR requirements. Failure to account for and manage CDBG-DR funds accordingly may result in sanctions imposed by DED and/or HUD.

Specifically, DED must ensure for each Subrecipient or Successful Applicant that:

1. Internal controls are in place and adequate;
2. Documentation is available to support accounting record entries;
3. Financial reports and statements are complete, current, reviewed periodically; and
4. Audits (where applicable) are conducted in a timely manner and in accordance with applicable standards.

The purpose of financial management is to ensure the appropriate, effective, timely, and honest use of funds. Subrecipients, Successful Applicants, and contractors who receive CDBG-DR funds must maintain sufficient documentation about the use of funds to allow oversight by DED and HUD (see **Chapter 17: Recordkeeping and Data Management**).

4.3 BUDGETS

All grant awards, program and project budgets, obligations, unobligated balances, assets, liabilities, and expenditures are tracked within the AmpliFund system. Subrecipients and Successful Applicants will have access to their projects in the AmpliFund system and submit all requests for payment in that system.

DED will review and approve each invoice submitted for a draw request by Subrecipients and Successful Applicants if all documentation is complete and there are sufficient funds in the activity, project, and program budgets. DED will upload draw requests into HUD's DRGR grant management system. Upon HUD approval of the draw request, the Subrecipient or Successful Applicant will be paid via the State of Nebraska's EnterpriseOne accounting system. DED's Finance Team will reconcile AmpliFund, EnterpriseOne, and DRGR after each invoice is approved in AmpliFund, and additionally as required by State and Federal requirements.

Program budgets are established in the Action Plan and amendment(s), and project budgets will be set in Subrecipient Agreements, Funding Agreements, or similar contracts. Program Managers are responsible for ensuring their programs and projects stay within budgets established and recorded in AmpliFund. Activity line budgets will be set within a project in AmpliFund for any obligated contract amount or similar sub-project budget. Activity line budgets can be modified with the approval of the Program Manager, as long as the project budget remains constant. Any modification of project budgets must remain within the program budgets set in the Action Plan and amendment(s) and be approved by the Director of Disaster Recovery. Program budgets can only be modified with an Action Plan amendment and are subject to public comment as described in the Action Plan.

4.4 PAYMENT POLICY

4.4.1 REQUEST FOR FUNDS

DED will not request lump sum drawdowns from HUD. Any drawdown will be as a reimbursable activity and supported with appropriate documentation. Likewise, Subrecipients and Successful Applicants shall not request lump sum drawdowns from DED and must submit all requests for payment with appropriate documentation.

4.4.2 CLASSIFYING FEDERAL AND CDBG-DR COSTS

DED and its Subrecipients and Successful Applicants are responsible for ensuring that all costs incurred conform with 2 CFR Part 200, Subpart E. All cost items described in 2 CFR Part 200, Subpart E that require Federal agency approval are allowable without prior approval of HUD, to the extent that they otherwise comply with the requirements of 2 CFR Part 200, Subpart E and are otherwise eligible, except for the following:

- Depreciation methods for fixed assets shall not be changed without the express approval of HUD;¹
- Fines, penalties, damages and other settlements resulting from DED's, Subrecipient's, or Successful Applicant's violations of, alleged violations of, or failure to comply with, Federal, State, Tribal, local, or foreign laws and regulations are unallowable costs to CDBG-DR except when incurred as a result of compliance with specific provisions of the Federal award, or with prior written approval of HUD;²
- Costs of goods or services for personal use of the employees of DED, Subrecipients, or Successful Applicants are unallowable regardless of whether the cost is reported as taxable income to the employees;³
- Costs of housing (e.g., depreciation, maintenance, utilities, furnishings, rent), housing allowances, and personal living expenses are only allowable as direct costs regardless of whether reported as taxable income to the employees. In addition, to be allowable direct costs must be approved in advance by HUD;⁴ and
- Organization costs, such as incorporation fees, brokers' fees, fees to promoters, organizers or management consultants, attorneys, accountants, or investment counselors, whether or not employees of DED, Subrecipients, or Successful Applicants in connection with the establishment or reorganization of an organization, are unallowable except with prior approval of HUD.⁵

Subrecipients and Successful Applicants are responsible for ensuring that all costs incurred meet the following requirements. DED will review all requests for payment to ensure they meet these.

4.4.3 ELIGIBLE/ALLOWABLE COSTS

All costs charged to the Subrecipient Agreement, Funding Agreement, or similar contract must be eligible as described herein. Eligible costs are those that conform to HUD CDBG-DR requirements, including limitations and waivers described in applicable Federal Register Notices, comply with federal cost principles, and align with all associated cross-cutting federal requirements (e.g., Davis-Bacon and Related Acts, environmental requirements, etc.) and State and local law.

Pursuant to 2 CFR § 200.403, costs must meet the following general criteria in order to be allowable as a charge against any Federal award:

- Costs must be necessary and reasonable for the performance of the Federal award and be allocable to that award and not to a different award;

¹ 2 CFR § 200.436.

² 2 CFR § 200.441.

³ 2 CFR § 200.445.

⁴ 2 CFR § 200.445.

⁵ 2 CFR § 200.455.

- Costs must conform to any limitations or exclusions set forth in 2 CFR Part 200 or in the Federal award as to types or amount of cost items;
- Costs must be consistent with this chapter that apply uniformly to both Federally financed and other activities of the Subrecipient or Successful Applicant;
- Costs must be accorded consistent treatment;
- A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost;
- Costs must be determined in accordance with Generally Accepted Accounting Principles (GAAP); and
- Costs must be adequately documented.

4.4.4 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 Subrecipient Agreement, Funding Agreement, or similar contract or are not related to the CDBG-DR program being administered.

4.4.5 REASONABLE COSTS (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 the reasonableness of a given cost, consideration must be given to:

- Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the Subrecipient or Successful Applicant or the proper and efficient performance of the Federal award;
- The restraints or requirements imposed by such factors as sound business practices; arms-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 the individuals concerned acted with prudence in the circumstances considering their responsibilities to the Subrecipient or Successful Applicant, its employees, the public at large, DED, and the Federal Government;
- Whether the Subrecipient or Successful Applicant significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the cost.

4.4.6 PRE-AWARD AND PRE-APPLICATION COSTS

Subrecipients and Successful Applicants may be reimbursed for costs incurred on a project before a Subrecipient Agreement, Funding Agreement, or similar contract is signed, with DED's approval. Subrecipients and Successful Applicants may only charge pre-award costs to the award that meet the following general requirements:

- Subrecipients may only charge the costs for rehabilitation, demolition, and reconstruction of single-family, multifamily, and nonresidential buildings owned by private individuals and entities incurred before the owner applies to the Subrecipient for CDBG-DR assistance;
- For rehabilitation and reconstruction costs, Subrecipients and Successful Applicants may only charge costs for activities completed within the same footprint of the damaged structure, sidewalk, driveway, parking lot, or other developed area;
- As required by 2 CFR Part 200, Subpart E, costs must be adequately documented;
- Pre-award costs are subject to the Duplication of Benefits rules (see **Chapter 18: Duplication of Benefits**).

4.4.7 ALLOCABLE COSTS (2 CFR § 200.405 AND § 200.406)

Successful Applicants cannot be reimbursed for administrative or indirect costs, as those costs must be built into the project application. The following are requirements for Subrecipients and guidelines for Successful Applicants. A cost is allocable to a particular award, Subrecipient Agreement, Funding Agreement, or similar contract, vendor contract, program, or other cost objectives if the goods or services involved are chargeable or assignable to that cost objective in accordance with relative benefits received. This standard is met if the cost:

- Is incurred specifically for that cost objective;
- Benefits both that cost objective and other work of the Subrecipient and can be distributed in proportions that may be approximated using reasonable methods; and
- Is necessary to the overall operation of the Subrecipient and is assignable in part to the specified cost objective in accordance with 2 CFR Part 200, Subpart E.

All cost objectives which benefit from the Subrecipient's indirect (Facility & Administrative [F&A]) cost, including unallowable activities and donated services by the Subrecipient or third parties, will receive an appropriate and proportionate allocation of indirect costs.

Any cost allocable to a particular cost objective may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons. However, this prohibition would not preclude the Subrecipient or Successful Applicant from shifting costs that are allowable under two or more cost objectives in accordance with existing Federal statutes, regulations, or the terms and conditions of the Federal awards.

If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.

For all entities charging the CDBG-DR grant, costs should only be charged net of all applicable credits. Applicable credits refer to those receipts or reduction-of-expenditure-type transactions that offset or reduce expense items allocable to the cost objective. Examples include:

- Purchase discounts;
- Rebates or allowances;
- Recoveries or indemnities on losses;
- Insurance refunds or rebates; and
- Adjustments of overpayments or erroneous charges.

To the extent that such credits accruing to or received by the Subrecipient or Successful Applicant relate to allowable costs, they must be credited to the Federal award either as a cost reduction or cash refund, as appropriate. These credits do not constitute program income (for further information see **Chapter 7: Program Income**).

4.4.8 CLASSIFICATION OF COSTS: DIRECT AND INDIRECT (2 CFR § 200.412)

There is no universal rule for classifying certain costs as either direct or indirect F&A 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 the cost incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect F&A cost in order to avoid possible double-charging of Federal awards.

4.4.9 DIRECT COSTS (2 CFR § 200.413)

Direct costs are those costs that can be identified specifically with a particular cost objective and directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect F&A costs.

The salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs. Direct charging of these costs may be appropriate only if all of the following conditions are met:

1. Administrative or clerical services are integral to a project or activity;

2. Individuals involved can be specifically identified with the project or activity;
3. Such costs are explicitly included in the budget or have the prior written approval of HUD; and
4. The costs are not also recovered as indirect costs.

4.4.10 INDIRECT COSTS AND INDIRECT COST RATES

Indirect costs are those costs incurred for a common or joint purpose benefitting more than one (1) project, and not readily assignable to a single project. Indirect costs are generally administrative and are considered PACs or ADCs (defined below).⁶ Subrecipients must receive prior DED approval to charge indirect costs to the award. A request to claim and charge costs must be submitted as a cost allocation plan to DED. Cost allocation plan procedures and requirements can be found in 2 CFR Part 200, Subpart E.

4.4.11 CLASSIFICATION OF CDBG-DR COSTS – PROGRAM ADMINISTRATIVE COSTS, ACTIVITY DELIVERY COSTS, PROJECT COSTS, AND PLANNING COSTS

Regardless of the determination of costs as either direct or indirect, all HUD CDBG-DR costs must also be allocated to the eligible activity and CDBG-DR funded program based on the type of cost and the particular function performed. Options include:⁷

- Project Costs – direct costs of undertaking a project and providing a benefit to a beneficiary of CDBG-DR funding;
- Activity Delivery Costs (ADCs) – costs of carrying out a specific CDBG-DR program and providing a program benefit;
- Planning Costs – costs related to the development of Action Plans, functional plans, methods of distribution, or other activities as described more below; and
- Program Administrative Costs (PACs) – costs incurred for the general management, oversight, and coordination of the CDBG-DR grant.

Each of these cost types has budgets and caps described within each Subrecipient Agreement or similar contract and Application Guide. Further description of each follows.

⁶ Successful Applicants are ineligible to receive both PAC and ADC reimbursements on top of their project budgets and must factor their administrative costs into their application budgets.

⁷ For additional information regarding CDBG-DR cost types, see <https://files.hudexchange.info/resources/documents/CDBG-DR-Cost-Types-Summary.pdf>.

4.4.12 PROJECT COSTS

Project costs include all assistance directly to developers (e.g., Successful Applicants), homeowners, businesses, and other beneficiaries. Examples of project costs include, but are not limited to:

- Construction hard costs for building improvements or infrastructure projects;
- Grants or loans to homeowners or businesses;
- Developer fees and associated contractor overhead and profit related to the provision of direct services when using a developer; and
- All costs related to the provision of public services, including staff time and other direct costs (such as supplies) to deliver these services.

4.4.13 ACTIVITY DELIVERY COSTS

ADCs include staff and consultant costs necessary to implement and carry out a specific CDBG-DR program or cost objective. Successful Applicants (developers), homeowners, businesses, and other beneficiaries cannot incur ADCs. Examples of eligible ADCs include, but are not limited to:

- Staff time necessary to administer a specific program;
- Environmental reviews (if completed by Subrecipient);
- Applicant intake and eligibility screening in a specific program; and
- Project underwriting and selection.

4.4.14 PLANNING COSTS

Planning costs (as defined in 24 CFR § 570.205) are those costs that generally result in the development of “a plan” (although with some exceptions). Planning for a specific project may be an ADC if undertaken by the Subrecipient and a planning activity can be a CDBG-DR eligible activity and may convert to an ADC if planning progresses far enough to meet a CDBG-DR National Objective. Developers (i.e., Successful Applicants), homeowners, businesses, and other beneficiaries cannot incur planning costs.

Subrecipients should refer to their Subrecipient Agreement or similar contract to determine whether any planning funding has been allocated and for what purpose. Examples of eligible planning activities:

- Comprehensive Plans;
- Community Development Plans;
- Functional plans for housing, land use, and economic development; and

- Mitigation plan or disaster resiliency plan.

4.4.15 PROGRAM ADMINISTRATIVE COSTS

PACs must only be used for activities related to the CDBG-DR program and cannot pay for general operational expenses unrelated to the award. Successful Applicants (developers), homeowners, businesses, and other beneficiaries cannot incur PACs. Subrecipients generally will not be able to use PAC funding (details can be found in their Subrecipient Agreement or similar contract). Examples of eligible PACs include, but are not limited to:

- Monitoring overall program performance;
- Leased office space and general operations;
- Staff time and contracted services to manage the funds and CDBG-DR program overall;
- Administrative support;
- Legal, accounting, human resources, and audit;
- Financial management;
- Reporting, including QPR; and
- On-going compliance monitoring after project close-out.

A Subrecipient managing a single program may not need to incur any PACs, since all of their costs may be directly related to that single activity. **Subrecipients may not use ADC funding to pay for costs that are only eligible as PACs.**

4.4.16 TIMELY EXPENDITURE OF FUNDS

All CDBG-DR funds in connection with Winter Storm Ulmer (DR-4420) must be expended by July 7, 2027 pursuant to DED's grant agreement with HUD. All Subrecipient Agreements and Funding Agreements must expire no later than six (6) months before that date. Any contracts entered into by Subrecipients and Successful Applicants in connection with CDBG-DR programs and projects must end no later than the expiration date of their respective Subrecipient Agreement or Funding Agreement. All programs and projects must be planned to ensure sufficient time to complete work and finish closeout within the time allotted (see **Section 4.4.17: Final Payments**, and **Chapter 5: Procurement** for additional information).

Each entity is responsible for ensuring that all invoices are submitted to DED with sufficient time for final invoices to be paid prior to their funding expiration date. Final invoices from contractors, vendors, Subrecipients, and Successful Applicants will not be paid until the project or program has completed all work and submitted all documentation. Final invoices for Subrecipients and Successful Applicants cannot be paid until all contracts and other open spending in the projects or programs they are managing have been closed out. Subrecipients and Successful Applicants

are strongly encouraged to monitor the timely expenditure of funds to ensure all project funds are spent within the time frame allotted.

4.4.17 FINAL PAYMENTS

DED will not approve any final payments to Subrecipients or Successful Applicants for contractors or vendors until all deliverables are completed and required reporting documents are received. Subrecipient Agreements, Funding Agreements, or similar contracts will be closed out once all of the projects listed therein have received final payment and been closed out. Any final PAC invoices for Subrecipients⁸ will not be paid until all deliverables are completed, required reporting documents are received, and projects are closed out.

Construction projects must be properly inspected prior to closing out the project and before the final payment request is made. When construction work has been completed, the following steps must be taken:

1. The Vendor/Contractor must certify completion of work to the Subrecipient or Successful Applicant and submit a final request for payment. A Successful Applicant doing construction work itself must provide written certification that work is complete.
2. The Subrecipient or Successful Applicant must then arrange for a final inspection.
3. The Subrecipient or Successful Applicant, or their architect/engineer and/or construction manager should attend the final inspection and prepare a written report of the inspection prior to DED's issuance of a final payment. Architect/engineer sign-off is required for Successful Applicants doing their own construction work.
4. If the project involved the construction of a building, the Office of the State Fire Marshal, Code Enforcement, and Building Safety must issue a Certification of Occupancy.

Before making the final payment (less retainage) to Vendor/Contractor on a construction project, the following must be verified:

1. All weekly payrolls and Statements of Compliance have been received, checked, and any discrepancies resolved;
2. All discrepancies identified via on-site interviews must have been resolved;
3. All other required equal opportunity and labor standards provisions must have been satisfied;
4. All contract submissions must have been received;

⁸ Subrecipients generally will not be able to use PAC funding (details can be found in their Subrecipient Agreement or similar contract).

5. All claims and disputes involving the Vendor/Contractor must have been resolved, and all files must be complete;
6. As-built information has been provided to the engineer; and
7. A Final Wage Compliance Report is drafted by each Vendor/Contractor and submitted to Subrecipient or Successful Applicant to submit to DED.

Subrecipients will verify these documents for their projects. Successful Applicants will collect these documents and submit them to DED for the Program Manager's approval. For more information, see **Chapter 14: Davis-Bacon**.

Once the final work is inspected and all documents are properly executed and submitted, the Subrecipient, or DED for projects implemented by Successful Applicants, can issue an acceptance of work. Then DED can approve the final payment. The Subrecipient's or Successful Applicant's Vendor/Contractor(s) should file the acceptance of work at the designated location.

4.4.18 FEDERAL REQUIREMENTS FOR TREATMENT OF SPECIAL TYPES OF COSTS

Federal requirements place limitations on specific items of costs, including prohibiting certain costs from being charged to a Federal award (notable examples include expenditures for lobbying, alcohol, and payment on uncollectable debts). These requirements are specific and enumerated in 2 CFR Part 200, Subpart E. Subrecipients and Successful Applicants should reference these requirements and become familiar with them in order to carry out any Federal program.

4.4.19 INELIGIBLE COSTS AND IMPROPER PAYMENTS

The following list includes common items that will not be approved for CDBG-DR funding. This list is not intended to be comprehensive and includes, by reference, all other ineligible costs referenced throughout this chapter, including costs determined to be unnecessary, unreasonable, or unallowable to the CDBG-DR grant:

- Individuals, homes, or projects not approved as beneficiaries or projects in the application;
- Billing software and related equipment not physically connected to the CDBG-DR-funded projects, including software that must be considered in relation to DED's system of record;
- Generators that are not permanently installed at the designated location (trailer-mounted generators are not considered permanently installed);
- Cost of obtaining permits or other documentation that would be required regardless of the current projects;
- Commercial advertising and public relations costs, such as the replacement or addition of a logo, water system name, or other cosmetic painting on CDBG-DR funded water tanks and other structures;

- Projects that have not received environmental clearance for Release of Funds (ROF);
- Funds to benefit political campaigns;
- Funds for costs associated with the conduct of government (e.g., city hall, courthouses, emergency operation centers); and
- Other similar costs.

Refer to 2 CFR Part 200, Subpart E for the basic guidelines of eligible costs. If the Subrecipient or Successful Applicant will be incurring any special or unusual costs, the Subrecipient or Successful Applicant should seek prior written approval from DED.⁹

4.4.20 COLLECTION OF UNALLOWABLE COSTS (2 CFR § 200.410)

Payments made for costs determined to be unallowable by HUD, DED, the State Auditor, the Subrecipient's cognizant agency for indirect costs, or any other oversight entity, either as direct or indirect costs, must be refunded (including interest) to DED in accordance with instructions from the entity that determined the costs are unallowable.

Subrecipients and Successful Applicants should have adequate internal and quality controls to appropriately prevent the issuance of improper payments to contractors or beneficiaries. Subrecipients and Successful Applicants should also implement quality assurance procedures to check for such improper payments and take appropriate corrective actions upon identifying such payments.

4.5 AMPLIFUND

The primary method for communicating the status of a payment request is the messaging system within AmpliFund, DED's grant management system. Only Subrecipients and Successful Applicants will have access to AmpliFund, and vendors, contractors, and beneficiaries must submit invoices and all other required documents to the Subrecipient or Successful Applicant they are working with. Subrecipients or Successful Applicants must log into AmpliFund, via <https://ne.amplifund.com>, to upload required documentation for payment requests.

4.6 INTERNAL CONTROLS

DED and its Subrecipients and Successful Applicants are required to establish internal controls over CDBG-DR funds that provide reasonable assurance that funds are being managed in compliance with federal statutes, regulations, and the terms and conditions of the HUD award.

⁹ See 2 CFR § 200.407.

Internal controls are designed to minimize the misuse of funds and poor recordkeeping and to maximize the likelihood of detecting problems if they occur. Internal controls require that multiple people with different roles review every financial transaction. In this way, internal controls make sure that funds are being used appropriately. Effective internal controls always crosscheck one another to ensure consistency across budgets, costs, records, and reports. Project funds may be withheld from Subrecipients, Successful Applicants, or vendor/contractors if CDBG-DR requirements are not met.

4.6.1 WITHHOLDING FUNDS BASED ON NON-COMPLIANCE WITH LABOR STANDARDS

CDBG-DR funding is subject to Davis-Bacon and Related Acts, which apply to contractors and subcontractors performing on federally funded or assisted contracts more than \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works. See **Chapter 14: Davis-Bacon** for further information. If any violations of these labor standards are made, they must be corrected before an invoice can be paid.

If violations regarding restitution have not been corrected within thirty (30) calendar days from the date of the first notice of underpayment, the Subrecipient may withhold funds due to the prime Vendor/Contractor. DED may withhold funds to a Successful Applicant in the event of underpayment. The Successful Applicant is responsible for ensuring labor standards are followed on their projects, and must report to DED any violations that have been discovered. Only an amount considered necessary to ensure payment of underpaid wages (and liquidated damages, if applicable) may be withheld to meet labor standards requirements. If it is necessary to estimate the withholding amount, prompt action must be taken to determine an exact amount and disburse any applicable excess to the prime Vendor/Contractor according to invoices presented for payment. The following steps should be taken:

- The Subrecipient must notify the prime Vendor/Contractor of the withholding and provide the second notice of underpayment.
- The Subrecipient must, again, specify the identity of underpaid workers, correct job classifications and wage rates, dates when underpayments occurred, and the amounts of underpayments owed.
- If restitution is not made within thirty (30) days of the second notice of underpayment, or if there is disagreement regarding the finding of wages owed, DED must be notified.
- The Subrecipient must disburse wages owed from the withheld funds to the respective workers to whom they are due.
- The Subrecipient should contact DED for information on the proper procedure for disbursement of funds.

If a labor standards violation(s) does occur that results in the Subrecipient or Successful Applicant not being in compliance with CDBG-DR programs, DED may suspend payment on the next

payment request. For example, if the Subrecipient or Successful Applicant fails to ensure the timely submission of Vendor/Contractor payrolls, then the Subrecipient or Successful Applicant may be considered as being non-compliant with CDBG-DR programs.

4.6.2 SUSPENSION

When a Subrecipient, vendor/contractor, Successful Applicant or other entity receiving CDBG-DR funds fails to comply with the grant award stipulations, DED may suspend the award, withhold further payments, or prohibit the Subrecipient or Successful Applicant from incurring additional obligations of CDBG-DR funds, pending corrective action by the Subrecipient, vendor/contractor, Successful Applicant or other entity.

4.6.3 TERMINATION FOR CAUSE

DED may terminate any activity in whole, or in part, at any time before the date of completion, whenever it is determined that a Subrecipient or Successful Applicant has failed to comply with the conditions of the award. DED shall promptly notify the Subrecipient or Successful Applicant in writing of the termination and the reasons for the termination, together with the effective date. For this type of termination, DED will not honor any costs. If funds have been paid to the Subrecipient, Successful Applicant, or a Vendor/Contractor they must be repaid to DED, as applicable.

4.6.4 TERMINATION DUE TO UNAVAILABLE FUNDING

The activity is contingent upon the appropriation and release of sufficient funds to DED to fulfill the requirements of the award. If the appropriate authorities fail to approve and provide an adequate budget to DED to fulfill the requirements of the award, the activity may be terminated by DED, the Subrecipient, or Successful Applicant. The Subrecipient or Successful Applicant shall be paid for all authorized services performed prior to termination.

4.7 COLLECTIONS AND REPAYMENT

If DED disburses funds and subsequently determines that the funds were disbursed in error the Program Manager will contact the Subrecipient or Successful Applicant of the funds and determine if subsequent funds will be drawn for the same activity. If the award is still open and subsequent funds will be drawn, the amount disbursed in error will be deducted from the next amount drawn.

If the award is closed or no subsequent funds will be drawn, DED will send an invoice to the Subrecipient or Successful Applicant of the funds for repayment.

4.8 DOCUMENTATION RETENTION

Subrecipients and Successful Applicants must retain all documentation related to the use of CDBG-DR funds. Documentation required includes procurement or selection processes for any

contractors, vendors, and beneficiaries, information showing compliance with the requirements listed above, and project completion metrics. Financial documentation is inextricably tied to other program requirements, and reviews of compliance with those requirements are connected to reviews of financial documents. Please (see **Chapter 17: Recordkeeping and Data Management**) for further details.

4.9 INVOICE SUBMISSION

4.9.1 REQUIRED DOCUMENTATION

DED provides Subrecipients and Successful Applicants with a Request for Payment User Guide with instructions on how to submit required documentation in AmpliFund. User guides and how-to videos are available at <https://opportunity.nebraska.gov/amplifund/>, including program specific guides and FAQs.

To receive payment, Subrecipients or Successful Applicants will submit an invoice package, which includes but is not limited to the invoice package forms, certifications, and other supporting documents to support the authorization for payment in compliance with applicable Federal, State, and local regulations. The invoice package should be complete, accurate, and provide all required supporting documents and certifications, without exception, in a timely and organized manner, as well as any corrections or additional documents requested by the Program Manager. All payments must be reimbursements of costs already incurred.

Before a first payment is submitted, the State of Nebraska W-9 & ACH Enrollment Form (see [State of Nebraska W-9 & ACH Enrollment Form](#)) must be uploaded into AmpliFund.

A fully signed Subrecipient Agreement, Funding Agreement, or similar contract is required before any invoices can be submitted. In all cases, Subrecipients and Successful Applicants are responsible for ensuring that funding is drawn against their Subrecipient Agreement, Funding Agreement, or similar contract at a pace that ensures completion within their period of performance. Further, DED will not pay invoices that exceed a project's approved budget.

Every invoice must include a cover page (see [Invoice Submission Cover Page](#)) with the following information:

1. Project Name;
2. Time period in which work was done, and date of invoice;
3. Dollar amount requested;
4. Name(s) of entity(ies) incurring costs;
5. All appropriate backup documentation to justify the dollar amount requested (invoices, complete payrolls, etc.); and
6. Environmental review, Section 3, and other compliance documentation as necessary for the project must be up to date.

All expenses must have backup documentation to show the details of the expenses incurred, plus proof of payment. CDBG-DR is a reimbursement program and will only pay Subrecipients and Successful Applicants for expenses already paid. Non-payroll expenses should be supported by paid invoice or periodic bill for service. If unavailable, a copy of canceled check with a written description will be acceptable. Claims for salaries and wages must be supported by copies of attendance, gross pay, pay rate time hours worked, and payroll tax.

If Subrecipients or Successful Applicants have any questions on required documentation for invoice submission, they should contact their Program Manager. If a Subrecipient or Successful Applicant has more than one (1) CDBG-DR project, they must submit separate invoices for each project. Subrecipients and Successful Applicants should submit invoices no more than once per month, or a minimum of \$5,000. Final invoices should be submitted no later than ninety (90) days after work completion. (See **Section 4.4.17: Final Payments**), above for further details on final payments.

4.10 INVOICE REVIEW

DED staff will review all requests for payment for completeness, accuracy, and eligibility. Subrecipients and Successful Applicants must ensure that all CDBG-DR funding is spent only on eligible, necessary, reasonable, and allocable costs associated with project activities within their Subrecipient Agreement, Funding Agreement, or similar contract.

DED will endeavor to pay all invoices within thirty (30) days of receipt of a complete invoice package. Incomplete invoice packages will incur delays and cannot be paid until all documentation is received. Payment requests will not be partially paid, they will either be approved or rejected. Rejected payment requests will come with an explanation to the Subrecipient or Successful Applicant on how deficiencies in the invoice package can be cured or why requested costs are not eligible to be paid.

TOOLKIT LIST

The following documents for **Chapter 4: Financial Management** are available on the [Toolkit section of DED's website](#):

- Invoice Submission Cover Page
- State of Nebraska W-9 & ACH Enrollment Form