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**DEPT. OF ECONOMIC DEVELOPMENT**

# Internal Invoice Review Policy and Procedures

*State of Nebraska CDBG-DR Program*

**JANUARY 2022**

## RECORD OF CHANGES

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The following table summarizes amendments to the Internal Invoice Review Policy and Procedures (P&P).

Date Change Approved	Change Number	Description of Change

# TABLE OF CONTENTS

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<b>1</b>	<b>POLICY OVERVIEW .....</b>	<b>3</b>
<b>2</b>	<b>ACRONYMS.....</b>	<b>3</b>
<b>3</b>	<b>DEFINITIONS .....</b>	<b>4</b>
<b>4</b>	<b>SCOPE .....</b>	<b>6</b>
<b>5</b>	<b>INTERNAL INVOICE REVIEW POLICY .....</b>	<b>6</b>
5.1	CASH MANAGEMENT .....	6
5.2	PROJECT SETUP.....	6
5.3	DED PAYROLL DRAWDOWNS.....	8
<b>6</b>	<b>INVOICE REVIEW.....</b>	<b>9</b>
6.1	INTERNAL CONTROLS .....	10
6.2	DED CASE MANAGER REVIEW .....	10
6.3	DED PROGRAM MANAGER REVIEW.....	11
6.4	DED FINANCE TEAM REVIEW.....	11
<b>7</b>	<b>APPENDIX LIST.....</b>	<b>13</b>

# 1 POLICY OVERVIEW

The purpose of this Internal Invoice Review P&P is to describe the process by which the State of Nebraska Department of Economic Development (DED) and its contractors review and approve payments made using funds awarded by the United States (US) Department of Housing and Urban Development’s (HUD) Community Development Block Grant – Disaster Recovery (CDBG-DR) program.

This Internal P&P is to be used in conjunction with the **Financial Management Policies and Procedures**.

The State of Nebraska enforces conduct of the CDBG-DR program to ensure that no person is excluded from participation in, denied the benefit of, or subjected to discrimination in any housing program or activity because of their age, race, color, creed, religion, familial status, national origin, sexual orientation, military status, sex, disability, or marital status.

# 2 ACRONYMS

Acronym	Meaning
ACH	Automated Clearing House
ADC	Activity Delivery Cost
BU	Business Unit
CM	DED Case Manager
CDBG-DR	Community Development Block Grant – Disaster Recovery
CFR	Code of Federal Regulations
CMIA	Cash Management Improvement Act
DAS	Nebraska Department of Administrative Services
DDR	Director of Disaster Recovery
DED	Nebraska Department of Economic Development
DRGR	Disaster Recovery Grants System
E1	EnterpriseOne
FEMA	Federal Emergency Management Agency
FY	Fiscal Year

Acronym	Meaning
HMGP	Hazard Mitigation Grant Program
HUD	Department of Housing and Urban Development
MID	Most Impacted and Distressed
NIFA	Nebraska Investment Finance Agency
OMB	Office of Management and Budget
P&P	Policies and Procedures
PA	Public Assistance
PAC	Program Administrative Cost
PM	DED Program Manager
QC	Qualitative Check
RGM	Recipient Grant Manager
US	United States

### 3 DEFINITIONS

Controlling definitions are found in the [CDBG-DR Program Definitions](#). Key definitions specifically relating to this P&P are stated below.

**Activity Delivery Costs (ADC):** Costs of carrying out a specific CDBG-DR program and providing a program benefit.

**Address Book Number (AB#):** Banking information for a Subrecipient or Successful Applicant of CDBG-DR funds in the EnterpriseOne system.

**Allowable Cost:** Costs that are in line with 2 CFR Part 200.

**AmpliFund:** DED’s grant management system utilized to track and manage all spending for the CDBG-DR Program. AmpliFund holds all project documents, budgets, and expenditure information. AmpliFund is the primary method for communicating the status of the payment request.

**Business Unit:** Unique identifying number for program or project within EnterpriseOne.

**Direct Cost:** Any project cost or project delivery cost that is identified specifically with a particular final cost objective. Direct costs are not limited to items that are incorporated in the end product

as material or labor. Costs identified specifically with a contract are direct costs of that contract. All costs identified specifically with other final cost objectives of the contractor are direct costs of those cost objectives.

**Disaster Recovery Grants Reporting System (DRGR):** HUD’s accounting system for CDBG-DR grants, which is primarily used by Grantees to access grant funds and report performance accomplishments for grant-funded activities. DED, as Grantee, requests drawdowns in DRGR of funds to pay invoices against its CDBG-DR grant.

**EnterpriseOne (E1):** The State of Nebraska’s accounting system.

**Indirect Cost:** Any cost not directly identified with a single final cost objective but identified with two or more final cost objectives or with at least one intermediate cost objective.

**Invoice Package:** A template that Subrecipients and Successful Applicants complete when submitting invoices.

**Kronos:** Timekeeping software used by DED staff to track time spent on projects or administrative tasks.

**Program or Project:** The phrase “program or project” means any activity or series of activities undertaken by a Federal agency or with Federal financial assistance received or anticipated in any phase of an undertaking in accordance with the Federal funding agency guidelines.<sup>1</sup>

**Program Administrative Cost (PAC):** Costs incurred for the general management, oversight, and coordination of the CDBG-DR grant, and are generally incurred only by the Grantee. Subrecipients receiving CDBG-DR funds should not incur PACs because costs associated with activity delivery are considered Activity Delivery Costs (ADCs). 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.

**Program Income:** Gross income received by a Subrecipient, a Successful Applicant, or the Grantee directly generated from the use of CDBG-DR funds or matching contributions.

**Project Cost:** Total of CDBG-DR funds, local or other matching funds, and total business investment in the project.

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<sup>1</sup> 49 CFR § 24.2.

**Vendor/Contractor:** A Vendor/Contractor refers to an entity that is providing the service. No Subrecipient Agreement or Funding Agreement is issued to a Vendor/Contractor but may be related to a CDBG-DR program.

## 4 SCOPE

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This P&P applies to all DED employees and contractors or consultants directly involved in processing invoices.

## 5 INTERNAL INVOICE REVIEW POLICY

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### 5.1 CASH MANAGEMENT

Cash management includes requests for payments from Subrecipients and Successful Applicants and direct payments to DED's Vendors/Contractors, as well as management of funds drawn down on the CDBG-DR grant from HUD while maintaining compliance with the Cash Management Improvement Act (CMIA) and the Treasury-State Agreement. The State Accounting Office is the cash manager for the State of Nebraska and works to minimize the time between DED's receipt of Federal funds and payment to the Subrecipient, Successful Applicant or Vendor/Contractor, which is a maximum of three (3) business days.

Finance Team members monitor EnterpriseOne (E1), the State accounting system, on a daily basis to see which Federal fund request(s) are received. Once a Finance Team member confirms receipt of the requested Federal funds by the State Treasurer's Office, a payment voucher is remitted to pay the Subrecipient, Successful Applicant, or Vendor/Contractor to minimize the window while the funds are housed at the State level. Generally, these outgoing payments occur the same day as the receipt of Federal funds. A visual resource regarding this process is provided in **Appendix A: Process Flow Chart**.

### 5.2 PROJECT SETUP

When a new project is awarded, and a Subrecipient Agreement or Funding Agreement with a Successful Applicant is signed, the Program Manager (PM) coordinates with the DED Research Team and DED Finance Team to create new project records in AmpliFund and DRGR. Each system needs the following information:

- Project Name;
- Project Number;

- Project Description;
- Grantee Activity Number;<sup>2</sup>
- Activity Type;
- National Objective; and
- Project Budget (if the project includes more than one activity, then set budgets for each activity).

In addition, the DED Finance Team will set up the project in E1. It will contain a unique identification number that indicates which grant number and Business Unit (BU) # the project is associated with. That number is also entered into the project's AmpliFund profile. If a Subrecipient or Successful Applicant has not previously been set up in E1, the Address Book Number (AB#) with banking information will need to be entered. Each project within E1 will not have its own budget. A BU# in E1 has been established for the CDBG-DR program as a whole. Individual project budgets are set in AmpliFund and DRGR.

If the Director of Disaster Recovery (DDR) approves a project budget change, that change will be reflected in AmpliFund and DRGR, but not E1. DED Finance will reconcile project budgets between systems for each invoice (see section 6.3, **DED Finance Team** for more details). At project closeout, a project budget must equal actual expenditures in AmpliFund and DRGR.

DED Research Team maintains AmpliFund User Guides, which detail process and procedures for payment requests. The internal user guides are available to DED staff by logging into AmpliFund and navigating to [Documents > Grants](#). The Research Team also maintains user guides for Applicants and Subrecipients and Successful Applicants. These are available on DED's [AmpliFund Resource webpage](#).

Nebraska State Accounting maintains E1 Job Aids, which detail process and procedures for payment requests. These E1 user guides are available to DED Finance Team staff by navigating to the [State Accounting Website](#), Payroll and Financial Center > EnterpriseOne (Payroll and Financial Center) Training Guides or via PFC User Guides for [Accounts Payable](#). The DED Finance Team may also maintain supplemental user guides based on DED's use of E1.

Note that HUD must approve the project and its activities in DRGR before the first payment voucher can be created in DRGR.

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<sup>2</sup> See the DRGR User Manual for more information: <https://www.hudexchange.info/resource/4915/drgr-user-manual/>.



Application processes for some programs and projects occur outside of AmpliFund. Once completed, the final documents relating to budgets and planned expenditures need to be in the AmpliFund project file. These documents include, as appropriate:

- Subrecipient Agreement or Funding Agreement and any Amendment(s);
- For Infrastructure Match projects: FEMA PA or HMGP project documents; and
- For Housing projects in connection with the CDBG-DR LIHTC Gap Financing subprogram: NIFA application documents.

### 5.3 DED PAYROLL DRAWDOWNS

DED may use Program Administrative Cost (PAC) funds from its CDBG-DR grant for payroll of staff working on the CDBG-DR program, but submission and approval processes differ from invoices submitted by Subrecipients, Successful Applicants, or Vendors/Contractors.

1. DED staff enter timecard hours into Kronos (DED's online time and attendance system) by BU and areas worked for DED. The CDBG-DR Program currently has a specific BU to track all administrative time spent on CDBG-DR Program activities (BU #72019301) by DED staff. As projects are set up, time spent directly on a single project can be charged to that project (ADC funds). In a given pay period, DED staff may record and assign their time to multiple BUs that correspond with other DED programs in accordance with hours spent on each program or project. This structure prevents staff from inadvertently charging time spent on other programs to the CDBG-DR Program.
2. At the end of the biweekly pay period, DED supervisors review and approve all timecard hours entered into Kronos by their staff. See the DED Organizational Chart in the **Program Management Guide** for supervisor information.
3. Kronos timecard entries are then uploaded into E1 for the biweekly payroll journal entry by a DAS Payroll Specialist on behalf of DED.
4. The DAS Payroll Specialist sends the DED Payroll Representatives (DED Chief Financial Officer and DED Budget Officer) a Business Unit Summary Report of all BUs and their dollar amounts related to the pay period for approval.
5. The DED Payroll Representatives review the Business Unit Summary Report for accuracy. The review includes comparing expenditures by BU to prior pay periods, taking into account any new known adjustments or program additions, checking for any removed BUs that are possibly still being used and appearing on the Summary Report, and taking an

overall look at average spend. Once approved by DED Payroll Representatives, the DAS Payroll Specialist is notified via email.

6. The DAS Payroll Specialist generates an official payroll certification that is sent to DED via email containing the following:
  - a. Payroll Final Register;
  - b. Payroll Journal Entry; and
  - c. Employee Time and Pay Entry.
7. The E1 Payroll Journal Entry is certified by DED Payroll Representatives via forwarding the certification email to State Accounting for posting on the payroll date. Payroll certification is due to State Accounting the Thursday prior to the payroll posting date.

For a Payroll Journal Entry with charges to CDBG-DR, a drawdown request is created in DRGR. A copy of the Business Unit Summary Report and the certification email are saved on the DED shared drive in the Payroll Records folder. Note that access to this folder is limited.

## 6 INVOICE REVIEW

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There are three (3) levels of review to ensure that request for payment(s) are correctly and consistently reviewed and evaluated in a standardized manner before payment, involving the following DED staff:

- DED Case Manager (CM) DED Program Manager (PM); and
- DED Finance Team.

See the **Appendix A: Process Flowchart** for further details. If an invoice is submitted from a Subrecipient, Successful Applicant, or Vendor/Contractor, it will be reviewed according to the steps below. Documentation requirements depend on the type of invoice and are detailed on the Invoice Review Checklist (see **Appendix B: Invoice Review Checklist**). Requested amounts will not be partially approved, they will either be “Approved” or “Rejected.” All levels of DED review are responsible for ensuring that none of the violations described in section 7.4 of the **Financial Management Policies and Procedures, Internal Controls**, apply to the invoice being reviewed or the project it is connected to. An invoice must not be paid if there are open issues or violations as detailed in this section.

The DDR will have oversight over all payments but will not be in the payment approval queue. The DDR can approve a payment on behalf of the PM in the case of an extended absence of the PM.

## 6.1 INTERNAL CONTROLS

DED, and its Subrecipients and Successful Applicants, are each 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.

Internal controls are designed to minimize the misuse of funds, poor recordkeeping, and to maximize the likelihood of detecting problems if they occur. Internal controls require that multiple people with different roles and levels of approval 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 make sure that budgets, costs, records, and reports all match up.

## 6.2 DED CASE MANAGER REVIEW

Subrecipients and Successful Applicants submit invoices and supporting documentation through AmpliFund. Only the Subrecipient's or Successful Applicant's Recipient Grant Manager (RGM) and other authorized representatives will have access to AmpliFund in order to submit an invoice and appropriate persons will sign electronically to its accuracy. The invoice must have a cover sheet with all backup documentation uploaded to AmpliFund. The CM will receive an email notification when a payment request is submitted. Throughout the review process described throughout this section 6, the Subrecipient or Successful Applicant RGM will receive an email whether the payment request has been approved or rejected as the payment request approve or reject buttons are pressed.

Once a payment request is submitted, the CM will review the invoice package in AmpliFund using the Invoice Review Checklist (see **Appendix B: Invoice Review Checklist**). The CM will fill out the appropriate sections of the Invoice Review Checklist.

If deficiencies are found, the CM will return the submission to the Subrecipient or Successful Applicant RGM with an explanation of actions needed to correct the deficiencies via a denial in AmpliFund.

If the submission is complete and accurate, the CM will forward the payment request to the PM to complete the PM portions of the Invoice Review Checklist.

## 6.3 DED PROGRAM MANAGER REVIEW

The PM is notified of the CM's forwarding of the payment request in AmpliFund. The PM's review of the documents uploaded in AmpliFund involves ensuring that a Qualitative Check (QC) has been adequately conducted.

The QC is based on the PM's historical knowledge of the project and knowledge of work completed during the period, review the quality, amount, and type of the work addressed by the invoice. Depending on the nature of the work and structure of the contract, considerations may include but are not limited to:

- Review of documentation to support completion of the CM's portion of the Invoice Review Checklist (see **Appendix B: Invoice Review Checklist**);
- Confirmation of receipt of deliverables defined in the contract if applicable;
- Confirmation of representations of staff assignments, time, and descriptions of work if applicable; and
- Confirmation of billable rates as established in program contracts.
- The PM will ensure that the project is reasonably in conformance with the scope, budget, timeline, and deliverables included in the project application.

The PM will complete the PM portions of the Invoice Review Checklist (see **Appendix B: Invoice Review Checklist**). If deficiencies are found, the PM will return the submission to the Subrecipient or Successful Applicant RGM with an explanation of actions needed to correct the deficiencies via a denial in AmpliFund.

If the submission is complete and accurate, the PM will approve the payment request, triggering a notification to the DED Finance Team.

## 6.4 DED FINANCE TEAM REVIEW

The Finance Team receives notice in AmpliFund that a payment request has been approved by the PM. The Finance Team is responsible for completing the Finance Review portion of the Invoice Review Checklist (see **Appendix B: Invoice Review Checklist**). If needed, the Finance Team can return the invoice to the Subrecipient, Successful Applicant, or Vendor/Contractor for clarification or revision as needed.

The Financial Packager reviews the payment request, along with the related invoice(s) and CM and PM portions of the Invoice Review Checklist. The Financial Packager creates the DRGR

voucher package, which includes the cover sheet (see **Appendix C: DRGR Voucher Cover Sheet**), supporting documentation for the invoice, and the Invoice Review Checklist (see **Appendix B: Invoice Review Checklist**). The Financial Packager reconciles the project details between AmpliFund and DRGR and generates reports from both systems to ensure:

- DRGR code (project name) and activity code(s) match;
- Total budget and funds spent to date match; and
- Program Income statement matches.

Project budgets in AmpliFund and DRGR must be reconciled before each drawdown request is submitted in DRGR. In addition, each project budget will be reconciled every quarter prior to DED's submission of the Quarterly Progress Report to HUD.

The Budget Officer will review the prepared DRGR voucher package and submit it into DRGR. The Budget Officer monitors DRGR for drawdown approvals. Once a drawdown is approved, they enter the required details into E1 to issue the payment. The Budget Officer will populate payment details from E1 into AmpliFund and mark the invoice as paid. The Subrecipient and Successful Applicant gets paid according to the address book details in E1. The Subrecipient or Successful Applicant will receive an email from AmpliFund once the invoice request is approved, and then they will get an email notification from E1 once funds are paid.

## 7 APPENDIX LIST

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The following appendices reflect tools and templates that will be developed throughout the course of program launch and implementation to support Subrecipients and Successful Applicants with carrying out the procedures set forth in this P&P. Items marked in gray indicate that the tool or template is still under development at the time of this document's release. In many cases, a similar form exists under the regular CDBG program and will be adapted for CDBG-DR.

These tools do not reflect any additional policy or procedural element that is not described in the main P&P document. They will be added as appendices to this P&P for convenience of use by relevant stakeholders.

Appendix A: Process Flow Chart

Appendix B: Invoice Review Checklist<sup>3</sup>

Appendix C: DRGR Voucher Cover Sheet

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<sup>3</sup> Note: The Invoice Review Checklist is a separate Excel spreadsheet available on DED's CDBG-DR webpage.