FISCAL YEAR **2027**

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Community Development Block Grant Program

Operating Manual

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The City *of* SAN DIEGO

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Section I: Introduction

The City of San Diego's Economic Development Department administers the Community Development Block Grant (CDBG) Program and oversees other federal housing and community development funds provided by the U.S. Department of Housing and Urban Development. These funds support community facilities and services, neighborhood revitalization, affordable housing, homelessness programs, and economic opportunities that benefit low- and moderate-income residents.

This Operating Manual establishes the requirements, procedures, documentation standards, and approvals that apply to City-funded projects. It is intended to help Subrecipients administer their projects, submit reports and reimbursement requests, maintain complete records, comply with applicable requirements, and prepare for monitoring and closeout.

Unless a section states otherwise, the requirements in this Operating Manual apply to all CDBG projects. Requirements that apply only to a particular project type are identified throughout the Manual. Nonprofit Capital Improvement Projects (NCIP) and other CDBG-funded construction activities must also follow the **FY 2027 NCIP and Construction Addendum**, which supplements this Manual with construction-specific requirements.

How to Use This Manual

Read this Manual together with your:

- Executed Agreement.
- Approved Scope of Work.
- Approved budget and budget narratives.
- Applicable addenda and companion guidance.
- Other project-specific written instructions issued by the City.

Begin with the **Quick References** section to identify key requirements, deadlines, forms, and prior approvals that may apply to your project. Then refer to the applicable sections for more detailed guidance.

The three CDBG project types covered by this Manual are:

Public Services

Community Economic Development (CED) and Microenterprise Assistance

Nonprofit Capital Improvement Projects (NCIP) and other construction activities

Emergency Solutions Grant (ESG) requirements are addressed in a separate ESG Addendum.

Attachments and companion guides provide additional checklists, forms, examples, and system instructions. These resources support implementation but do not replace the underlying requirements in the Agreement, this Manual, or an applicable addendum.

Important: Contact your Project Manager before acting when you are uncertain whether an activity, cost, procurement, document, or procedure is allowable.

Agreement and Manual Requirements

This Manual supplements the executed Agreement and applicable federal, state, and City requirements. It does not replace the Agreement. If a provision of this Manual conflicts with the Agreement, the Agreement controls.

The Manual establishes minimum procedures and controls for administering City-funded projects. The Subrecipient may use its existing organizational procedures when they meet or exceed these requirements and achieve the same compliance purpose. The Subrecipient must:

- Perform only activities included in the approved Scope of Work.
- Use funds only for eligible and approved costs.
- Maintain programmatic, fiscal, procurement, personnel, property, and administrative records that support project activities and expenditures.
- Submit complete and accurate reports by the required deadlines.
- Notify the City promptly of delays, staffing changes, financial concerns, or other conditions that may affect project implementation or compliance.
- Obtain written City approval before taking an action that requires prior approval.
- Ensure that applicable requirements are followed by contractors, subcontractors, consultants, and other project partners.
- Make this Manual and any applicable addenda available to staff responsible for project administration, service delivery, fiscal management, procurement, reporting, construction, and compliance.

Project records remain subject to City, HUD, and other authorized review after closeout.

Alternative Procedures and Exemptions

The Subrecipient must not implement an alternative procedure that differs from the Agreement, this Manual, or an applicable addendum without prior written City approval.

To request an alternative procedure, submit the **Agreement/Operating Manual Exemption Request Form** included in the Attachments. Submission of a request does not guarantee approval. The Subrecipient must continue following the existing requirement unless and until the City approves the alternative in writing.

This Manual remains effective until the Economic Development Department issues a revised version or other written notice.

Who to Contact for Assistance

The assigned Project Manager is the Subrecipient's primary contact for questions about project requirements, reporting, reimbursement, procurement, monitoring, construction, closeout, delays, or other compliance matters.

Technical assistance may include clarifying requirements, assisting with reporting or administrative processes, and connecting the Subrecipient with appropriate resources. It does not include preparing grant applications or proposals.

The Subrecipient must notify the Project Manager when key programmatic or fiscal staff change. A technical-assistance meeting is recommended when new staff assume responsibility for administering the project.

Quick References

This section summarizes frequently used requirements. It does not replace the detailed instructions in the applicable section of the Manual or the requirements in your Agreement.

Requirements by Project Type

Unless a requirement is labeled otherwise, it applies to every CDBG Subrecipient. Use the matrix below to identify project-specific requirements.

Requirement	Public Services	CED / Microenterprise	NCIP / Construction
Follow the Agreement, Scope of Work, budget, and schedule	Required	Required	Required
Monthly MPR and RFR, including no-claim months	Required	Required	Required
Program and fiscal records	Required	Required	Required
Client eligibility, demographics, and service records	Required	Required for assisted persons	Only when required by the National Objective
Business and technical-assistance records		Required	
Procurement and written contracts	As applicable	As applicable	Required for construction contracts

Requirement	Public Services	CED / Microenterprise	NCIP / Construction
Environmental review, labor standards, Section 3, BABA, and Notice to Proceed			See NCIP and Construction Addendum
Year-end or closeout reporting	Required	Required	Year-end reporting may apply to continuing projects

Annual Compliance and Reporting Calendar

When	Required action	Method
Before project implementation	Complete the Agreement execution process described in the current CDBG Agreement Execution Guidebook.	ED Grants and other required City processes
Before incurring a cost	Confirm the Agreement is executed, the cost is eligible and budgeted, and all required City approvals or clearances are complete.	Project records
Within the first six months	Purchase approved administrative supplies and equipment early enough for meaningful use during the Agreement period.	RFR, as applicable
Monthly, by the 15th	Submit the MPR and RFR for the preceding month, including a no-claim submission when no costs were paid.	ED Grants
When a material change, delay, or compliance issue occurs	Notify the Project Manager promptly and obtain written approval before implementing a change that requires it.	Method directed by the City
Before the March RFR and no later than April 15, 2027	Submit any allowable budget-modification request.	ED Grants
During the final 90 days	Limit purchases to small, necessary items that will be used before the Agreement ends. Obtain prior approval when required and do not stockpile.	Project Manager approval and RFR documentation
June 30, 2027	Standard end date for FY 2027 Public Services and CED projects.	Agreement
July 15, 2027	Submit the June MPR and final RFR.	ED Grants
No later than July 25, 2027, when approved	Submit eligible final June personnel costs that could not be documented by July 15.	ED Grants

July 31, 2027	Submit the Closeout Report or, for a continuing NCIP project, the Year-End Report.	ED Grants
Within 30 days after a later termination date	Submit the Closeout Report for a project ending after June 30.	ED Grants
As directed	Attend required training and respond to monitoring, audit, or corrective-action requests.	Method stated by the City

Submit an MPR and RFR for every reporting month. Report costs in the month paid, explain delays or limited progress, and do not report clients whose required records are incomplete. The corresponding MPR must be approved before the RFR can be approved.

NCIP and construction deadlines are provided in the NCIP and Construction Addendum.

Actions Requiring Prior City Approval

Contact the Project Manager early enough to allow review. Submission or discussion of a request does not authorize the action.

Before you...	Submit...	Proceed only after...
Use a procedure that differs from the Agreement or Manual	The Exemption Request Form and supporting explanation	Written City approval
Change the Scope of Work, services, population, location, outcomes, or schedule	A written change request and updated supporting documents	Written City approval or an executed amendment
Move funds or add an allowable budget line	A budget-modification request in ED Grants	Approval in ED Grants
Use or replace a consultant, subcontractor, or contractor	Procurement records and the proposed agreement or amendment	Completion of required City review
Act when an actual or potential conflict of interest exists	A written disclosure and supporting records	Written City determination
Dispose of grant-funded equipment or property	A written request for disposition instructions	Written City authorization
Take a construction-related action requiring approval	The documentation required by the NCIP and Construction Addendum	The applicable written approval or Notice to Proceed

Costs incurred or activities completed before required approval may be ineligible for reimbursement.

Key Forms, Guides, and Resources

Use the current City-issued version of each form, guide, and addendum. These resources are included in the **Attachments and Companion Resources** section at the end of this Manual and should be used together with the applicable Manual requirements.

Reference	Resource	Description
Attachment A	Current HUD Income Limits for the City of San Diego	Current HUD income limits used to determine applicable income eligibility.
Attachment B	Agreement/Operating Manual Exemption Request Form	Form used to request City approval for an alternative procedure.
Attachment C	No Claims Form	Required form for an RFR reporting period with no reimbursement claim.
Attachment D	Sample Income Verification and Demographics Forms	Sample forms for documenting participant income eligibility and demographics.
Attachment E	CED Microenterprise Assistance Guidelines	Supplemental requirements and guidance for CED Microenterprise Assistance activities.
Attachment F	Construction Project Checklist	Checklist of major NCIP and construction milestones, documents, and approvals.
Attachment G	MPR Indicators and Descriptions	Reference for understanding and reporting applicable performance indicators.
Attachment H	MPR Guide	Step-by-step guidance for preparing and submitting Monthly Programmatic Reports in ED Grants.
Attachment I	RFR Guide	Step-by-step guidance for preparing and submitting Requests for Reimbursement in ED Grants.
Attachment J	Closeout/Year-End Report Guide	Guidance for completing applicable year-end and project closeout reporting.
Addendum A	NCIP/Construction Requirements	Supplemental requirements specific to NCIP and other CDBG-funded construction activities.
Addendum B	ESG Requirements	Supplemental requirements specific to Emergency Solutions Grant-funded activities.

Additional current forms, templates, and system instructions are available through ED Grants or another City-designated resource location.

SECTION II: Getting Started

This section identifies the initial steps a Subrecipient should complete before and immediately after beginning a CDBG-funded project. These steps help ensure that the Agreement, staff responsibilities, required documents, internal systems, and City access are in place before project activity and monthly reporting begin.

The Subrecipient must ensure that staff responsible for project administration, service delivery, financial management, reporting, procurement, and compliance understand the requirements applicable to their work.

Detailed procedures for ongoing project administration, changes, delays, and performance management are addressed in **Section III: Managing Your CDBG Project**.

Getting Started at a Glance

Step	What to Confirm
1. Review the Agreement	Scope of Work, budget, schedule, performance measures, and special conditions are understood.
2. Confirm execution requirements	Required City forms, supporting documents, insurance, policies, and applicable compliance reviews are complete and current.
3. Confirm ED Grants access	Primary and Secondary Representatives and project contacts are correct.
4. Assign responsibilities	Program, fiscal, reporting, approval, and oversight responsibilities are clearly assigned.
5. Set up project records	Eligibility, service, financial, payroll, procurement, and other records can be tracked from the first day of activity.
6. Calendar deadlines	Monthly reporting, reimbursement, project milestones, trainings, and year-end deadlines are assigned and monitored.
7. Ask questions early	Contact the Project Manager before proceeding when a requirement or approval is unclear.

TIP: Start with the final Agreement, not the application.
The executed Agreement, approved Scope of Work, budget, and schedule control project implementation. Do not rely on an earlier application, proposal, draft budget, or prior-year Agreement when administering the current project.

A. Understanding Your CDBG Agreement

The executed Agreement is the controlling document for the project. Read it together with the approved Scope of Work, budget and budget narratives, project schedule, performance measures, this Manual, applicable addenda, and written project-specific City instructions.

Core Agreement Documents

Document	What It Establishes	What the Subrecipient Must Do
Scope of Work	Approved activities, population or area served, project location, milestones, outputs, and outcomes	Perform only approved work and obtain written City approval before making a material change.
Budget and Budget Narratives	Maximum CDBG funding by category and approved purpose and calculation of each cost	Charge only eligible and approved costs and obtain a budget modification before exceeding an approved line when required.
Schedule	Project tasks, milestones, implementation period, and target completion dates	Monitor progress and notify the City promptly when a milestone or completion date may be affected.
Performance Measures	Required beneficiaries, services, outputs, and outcomes	Maintain source records and report accurate monthly and cumulative results.
Special Conditions	Project-specific restrictions, approvals, compliance requirements, or continuing obligations	Incorporate the requirements into project procedures and obtain required approvals before proceeding.

The Subrecipient must implement the project according to these approved documents. An activity or cost is not authorized solely because it appeared in the application, was anticipated during project development, or because funding remains available in a budget line.

See **Section III** for project implementation and changes, **Section IV** for eligibility and program records, **Section V** for performance reporting, and **Section VI** for cost eligibility and budget modifications.

TIP: Translate the Agreement into an internal work plan.
Assign each Scope of Work activity, performance measure, budget line, and milestone to a responsible staff member. This makes monthly reporting and monitoring much easier later.

B. Confirm Project Readiness

Before beginning project implementation, the Subrecipient must confirm that the Agreement is fully executed and that applicable City conditions for project start have been satisfied.

Detailed agreement-execution instructions are provided in the current **CDBG Agreement Execution Guidebook** and the **Agreement Checklist in ED Grants**. Supporting documents vary by project and organization. The ED Grants checklist and written City instructions identify which documents are required, conditionally required, or requested when available.

Project Start Checklist

Before beginning CDBG-funded activity, confirm:

- Agreement is fully executed.
- Final Scope of Work, budget, budget narratives, and schedule have been reviewed.
- Required Agreement Checklist items have been submitted and approved.
- Required insurance is current and accepted.
- Required written policies and procedures are in place or are being completed under an approved City timeline.
- Applicable Living Wage review is complete or underway as directed by the City.
- ED Grants contacts and authorized representatives are current.
- Staff responsible for program and fiscal administration are assigned.
- Eligibility, service, financial, and reporting systems are ready before activity begins.
- Applicable environmental or other prior approvals have been received.
- Project-specific trainings or startup requirements are complete.
- NCIP/Construction projects have reviewed **Addendum A: NCIP/Construction Requirements** before procurement or construction activity begins.

Supporting Documents

Documents previously submitted through an RFQ, RFP, or earlier City review may already appear in ED Grants. The Subrecipient remains responsible for confirming that all required documents are current, complete, approved when applicable, and retained in its project records. Replace expired or outdated documents and respond promptly to City comments or requests for correction.

Detailed Agreement-execution procedures are provided in the current **CDBG Agreement Execution Guidebook** and the Agreement Checklist in ED Grants.

TIP: Do not assume “already uploaded” means “already approved.”
Review every Agreement Checklist item and any City comments before project start.

C. Required Organizational Documents and Compliance Items

Some startup requirements require coordination with the Subrecipient's governing board, insurance carrier, City review staff, or another third party. Begin these items early and maintain them throughout the Agreement period as applicable.

Requirement	Subrecipient Responsibility
Insurance	Maintain the coverage and endorsements required by the Agreement, submit current documentation as directed, and correct deficiencies identified by the City.
Written Policies and Procedures	Maintain required organizational policies that reflect actual practices and satisfy applicable Agreement and Manual requirements. City sample policies are reference materials and should be tailored to the organization.
Living Wage Ordinance	Complete applicable City review and maintain compliance when the City determines the LWO applies to the Agreement or covered work.
Registrations, Certifications, and Licenses	Maintain required federal, City, professional, or project-specific registrations and eligibility status and promptly report an expiration or loss of required status.

For FY 2027, required policies and procedures that remain outstanding after Agreement execution must generally be finalized by **September 30, 2026**, unless the City provides another written deadline.

TIP: Your written policy should match your real process.
During monitoring, the City may compare the policy with actual records and staff practices. A strong policy that is not actually followed does not demonstrate compliance.

D. ED Grants Roles and Access

ED Grants is the City's system for Agreement administration, document submission, monthly reporting, reimbursement, year-end reporting, and closeout.

Access must be limited to authorized staff and kept current throughout the Agreement period.

ED Grants Roles

Role	Authority
Primary Representative	Governing-board-authorized representative who may approve and officially submit documents and reports and electronically approve the Agreement in ED Grants. Actions taken by this representative are binding on the organization.
Secondary Representative	May access and prepare project information but may not perform actions reserved for the Primary Representative.

Program Contact	Primary staff contact for Scope of Work, eligibility, service records, performance, MPRs, and program monitoring.
Fiscal Contact	Primary staff contact for budget, accounting, payroll, RFRs, cost allocation, procurement payments, and fiscal monitoring.

Board Authorization

The Primary Representative must be authorized by the Subrecipient's governing board using the current City-required authorization process. When a City form or template is provided, use the current version without materially revising the required authorization language and upload the completed authorization as directed in ED Grants. A change to the Primary Representative requires updated governing-board authorization when required by the City.

TIP: Consider continuity.
When permitted by the City's authorization form and your organization's governance rules, authorizing more than one appropriate staff member can help avoid delays if the usual representative is unavailable.

Keep ED Grants Access Current

The Subrecipient must keep ED Grants users and project contacts current, promptly remove or report individuals who no longer require access, protect account credentials from sharing, and monitor City notices, returned submissions, comments, and requests for action.

E. Set Up the Project Before Reporting Begins

Project records should be created **before** the first participant is served or project cost is claimed. Monthly reports should be produced from project records, not reconstructed after the fact.

Assign Internal Responsibilities

At minimum, identify responsibility for:

Function	Examples
Program Administration	Scope implementation, eligibility, services, outcomes
Fiscal Administration	Accounting, payroll, allocation, reimbursement support
Reporting	MPR and RFR preparation and reconciliation
Review/Approval	Eligibility review, report approval, payment approval
Procurement/Contracts	Purchasing, consultant or subcontractor oversight
Records	File organization, confidentiality, retention
Compliance	Training, monitoring, corrective action, required approvals

One person should not control every phase of a significant financial or eligibility transaction. Detailed internal-control requirements are provided in **Section VII: Financial Management and Internal Controls**.

Establish Project Records

Establish the program records required under **Section IV: Client Eligibility and Program Records** and the financial records required under **Section VII: Financial Management and Internal Controls** before project activity begins. Records must allow monthly MPR and RFR information to be traced to the applicable eligibility, service, payroll, accounting, procurement, and other source documentation.

NCIP projects must also establish the construction project file required by **Addendum A**.

TIP: Organize records so each reporting month can be easily reconciled.
The MPR, RFR, accounting records, and supporting documents for the same period should be easy to locate and trace.

F. Required Training, Technical Assistance, and Questions

Required Training

The Subrecipient must attend City trainings identified as mandatory and ensure that appropriate staff participate. Required training includes the CDBG Reporting Requirements Workshop and annual Fair Housing training, along with applicable ED Grants, NCIP/construction, labor-compliance, or other project-specific training identified by the City.

Technical Assistance

Subrecipients may request assistance with interpreting requirements, City reporting processes, administrative or fiscal systems, and identifying appropriate resources. Technical assistance does not include researching, developing, or preparing grant applications, funding proposals, or concept papers.

Notify the Project Manager when new staff assume responsibility for project administration, reporting, or fiscal management. A technical-assistance meeting may be requested when helpful.

When to Contact the Project Manager

Contact the Project Manager before proceeding when an activity or cost may be ineligible, a required approval or procedure is unclear, a project milestone is at risk, a material project change is being considered, or a compliance concern is identified. Do not rely on informal or verbal discussions when written City approval is required.

TIP: Earlier questions usually have more options.
Contacting the Project Manager before a cost is paid, a contract is signed, or a process is changed is much easier than trying to correct an issue afterward.

SECTION III: Managing Your CDBG Project

This section establishes the City's requirements for implementing and managing an approved CDBG project. The Subrecipient is responsible for the overall administration, performance, and compliance of the project, including work performed by its staff, contractors, subcontractors, consultants, volunteers, and other project partners.

The Subrecipient remains responsible to the City for the project even when another party performs part of the work.

A. Implementing the Approved Scope of Work

The approved Scope of Work establishes the activities, population or area to be served, performance expectations, schedule, and other commitments authorized under the Agreement. The Subrecipient must implement the project as approved and maintain records demonstrating that the work was completed.

Implement the Approved Scope of Work

The Subrecipient must perform only the activities authorized by the approved Scope of Work and maintain records demonstrating that the project remains eligible, meets the National Objective identified in the Agreement, serves the approved beneficiaries or area, occurs within the Agreement period, and complies with applicable City and federal requirements.

An activity is not automatically eligible because it benefits LMI persons or appears in the approved budget.

When activities are supported by multiple funding sources, the Subrecipient must clearly distinguish CDBG-funded activities, beneficiaries, outcomes, staff time, and expenditures. A cost may not be charged to more than one funding source, and a service may not be reported to multiple funding sources as though each source paid for the same service.

See **Section IV: Client Eligibility and Project Records** for Public Services and CED eligibility and documentation requirements. NCIP and construction projects must also follow **Addendum A: NCIP/Construction Requirements**.

Monitor Project Progress

The Subrecipient must regularly review project activities and milestones, performance measures, beneficiaries or services, expenditures and remaining budget, contractor or partner performance when applicable, and the completeness of supporting records.

Problems, delays, or adverse conditions that may affect project objectives, expenditures, or completion must be reported to the Project Manager as soon as they are identified. Appropriate information must also be included in the applicable Monthly Programmatic Report (MPR).

Maintain Timely Progress

CDBG funds are subject to federal and City timeliness requirements. The Subrecipient must implement activities and expend funds according to the Agreement and approved project schedule.

Under applicable City policy, CDBG funds may be considered for reprogramming when a project is no longer feasible, does not proceed within required timeframes, or remains unexpended beyond the applicable project period.

Project Type	General Timeliness Expectation
Public Services and CED	Non-capital projects are generally expected to complete activities and expend funds within 12 months from the beginning of the fiscal year, unless the Agreement or written City guidance establishes another schedule.
NCIP/Construction	Capital projects are generally subject to a 24-month expenditure period and additional construction milestones. See **Addendum A: NCIP/Construction Requirements**.

Monthly reporting and reimbursement requirements continue throughout the Agreement period, including months with no activity or reimbursement request. See **Section V: Monthly Reporting** and **Section VI: Requesting Reimbursement**.

B. Keeping Project Information Current and Obtaining City Approval

Project information and required administrative documents must remain current throughout the Agreement period. Changes that affect the approved project or previously submitted City records must be reported when they occur.

Keep Administrative Information Current

The Subrecipient must maintain the following:

Information	Requirement
Insurance	Maintain required coverage and submit updated documents when coverage expires or changes.
Other funding sources	Maintain and update information on other funding supporting the project as required by the City.
Program and fiscal contacts	Keep project contacts in ED Grants current so City staff can reach the appropriate staff.
Required supporting documents	Submit updated versions when previously submitted documents expire, change, or are replaced.

Source records	Retain originals or authoritative copies of documents submitted to the City for monitoring and audit purposes.

Instructions and current forms are available through the **ED Grants Resources** area.

The Project Manager may request additional reports, confirmations, or supporting documents during the Agreement period when necessary to verify compliance.

Changes Requiring Prior City Approval

The Subrecipient must obtain written City approval before implementing a material change. City approval is not retroactive unless expressly stated in writing.

Proposed Change	Information to Provide
Scope of Work, services, population, outcomes, or service method	Reason for the change, revised activities, effect on CDBG eligibility and the National Objective, budget and schedule impacts, and requested effective date.
Budget	Amounts to be moved from and to each budget line, revised budget narratives, and confirmation that the approved Scope of Work will not change. See Section VI for the budget-modification process.
Schedule or performance goal	Cause of the delay or proposed change, project impact, corrective action, revised schedule or goal, and ability to complete the project within the Agreement period.
Project location or service area	New address or boundaries, population or area served, intended use, and any eligibility, environmental, accessibility, insurance, or cost-allocation impacts.
Contractor, subcontractor, consultant, or contract term	Applicable procurement documentation, proposed contract or amendment, scope, term, compensation, and other documentation requested by the City. See Section VIII.
NCIP construction scope, contractor, or change order	Follow the approval and documentation requirements in Addendum A.

The City may require an Agreement amendment, revised implementation schedule, additional procurement, environmental review, corrective action, or other documentation before approving a change. **A budget modification does not authorize a change to the approved Scope of Work.**

C. Subcontractors, Consultants, and Volunteers

The Subrecipient may use subcontractors, consultants, and volunteers only when their roles support the approved Scope of Work and applicable City approval, procurement, conflict-of-interest, insurance, eligibility, documentation, and oversight requirements are met.

Subcontractors and Consultants

For **Public Services and CED/Microenterprise Assistance projects**, subcontractors and consultants may be used to enhance project delivery but may not replace the direct CDBG-funded services that the Subrecipient agreed to provide unless the City expressly approves that structure.

Consultants and subcontractors must be procured, contracted, and administered in accordance with **Section VIII: Procurement and Contract Management**. Required procurement and City review must be completed before CDBG-funded work begins, and the fully executed contract must be uploaded to ED Grants before related costs are claimed.

Volunteers and Unpaid Workers

Use of volunteers or unpaid workers for CDBG project activities must be approved by the Project Manager and identified in the approved Scope of Work.

For each volunteer or unpaid worker, maintain records showing:

- Name or other appropriate identifier.
- Dates worked.
- Hours worked.
- Activities performed.

Volunteers and unpaid workers must receive appropriate supervision and comply with applicable confidentiality, civil-rights, records, safety, and other project requirements.

Subrecipient Oversight

The Subrecipient remains responsible for work performed by subcontractors, consultants, and volunteers and must ensure that approved services and deliverables are completed, applicable CDBG requirements are followed, invoices and performance are adequately reviewed, and required records remain available for City or federal review. City review or approval does not transfer this responsibility to the City.

D. CDBG Identification and Public Communications

The Subrecipient and its subcontractors must clearly identify CDBG-funded programs and activities to participants and the public and accurately describe the City and HUD funding relationship.

Required Funding Acknowledgment

The following statement must be clearly posted or otherwise displayed where applicable:

"This project is funded in whole or in part with Community Development Block Grant (CDBG) Program funds provided by the U.S. Department of Housing and Urban Development (HUD) to the City of San Diego."

The acknowledgment must be reasonably visible and included, as applicable, on project reports and public data, brochures and flyers, newsletters, advertisements, project webpages, fact sheets, news releases, outreach and recruitment materials, public presentations, event materials, and other public communications describing the CDBG-funded project.

It is generally not required on confidential client forms, internal accounting records, or other materials that do not describe or promote the project unless directed by the City.

When space or format does not reasonably allow the standard acknowledgment, obtain Project Manager approval before using alternate wording.

Accuracy and Confidentiality

Public communications must:

- Accurately describe the CDBG-funded project.
- Be consistent with the approved Scope of Work.
- Protect confidential client and participant information.
- Avoid misrepresenting the City's or HUD's role in operating or endorsing the project.

The required funding acknowledgment does not authorize use of an official City or HUD seal or logo. Use an official seal or logo only when it is provided or otherwise authorized by the applicable agency.

Construction Projects

NCIP and other construction projects must prominently identify CDBG funding at the project site during active construction and follow the additional posting requirements in **Addendum A: NCIP/Construction Requirements**.

E. Environmental Review and Other Project-Specific Requirements

Environmental Review

CDBG-funded activities are subject to applicable federal environmental review requirements and related federal, state, and local requirements. The City determines the level of environmental review required for each project. The Subrecipient must:

- Provide maps, site information, project descriptions, or other information requested for the environmental review.
- Not begin work, incur a project cost, enter into a commitment, acquire property, or take another action requiring environmental clearance until the City provides the required written authorization.
- Notify the Project Manager before changing a project location, physical scope, or other condition that could affect the completed environmental review.

- Comply with all conditions and mitigation measures identified through the environmental review.

Activities undertaken before required environmental authorization may be ineligible for reimbursement.

Construction, Acquisition, and Other Triggered Requirements

Projects involving construction, rehabilitation, acquisition or disposition of real property, relocation, demolition, or other physical improvements may trigger additional requirements related to environmental review, labor standards, relocation, acquisition, Section 3, Build America, Buy America, property use, and other federal or City requirements.

These requirements are consolidated in **Addendum A: NCIP/Construction Requirements**. The Subrecipient must contact the Project Manager before undertaking an activity when it is unclear whether one of these requirements applies.

F. Cross-Cutting Compliance Requirements

The following requirements apply across CDBG-funded projects as applicable. The Subrecipient must also ensure that contractors, subcontractors, consultants, volunteers, and other project partners comply with requirements applicable to their work.

Conflicts of Interest

The Subrecipient must maintain written standards of conduct and comply with applicable federal, state, and City conflict-of-interest requirements.

Covered persons include officers, employees, board and committee members, agents, consultants, volunteers, and other persons who exercise CDBG functions, participate in CDBG decisions, administer CDBG-funded contracts, or have access to inside information concerning CDBG activities.

Area	Requirement
Employment	An employee may not be supervised by an immediate family member or be employed when the employee or an immediate family member serves on a board or committee authorized to make personnel decisions affecting the employee.
Board and committee decisions	Members may not participate in or influence decisions involving employment, grants, contracts, or other financial benefits for themselves, an immediate family member, or an organization they represent.
Contracts and leases	A subcontract, consultant contract, or lease may not be awarded to an employee, agent, consultant, officer, board member, or immediate family member without prior written City approval.
Financial interests	A person who exercises CDBG functions, participates in decisions, or has access to inside information may not obtain a financial interest or benefit

	from the CDBG-assisted activity, related contracts or agreements, or proceeds of the activity during the person's tenure or for one year afterward.
Procurement	A covered person may not participate in selecting, awarding, or administering a contract when the person, an immediate family member, partner, or an organization that employs or plans to employ one of those persons has a financial or other interest or tangible personal benefit related to a firm being considered.
Gratuities	Covered persons may not solicit or accept gratuities, favors, or anything of monetary value from contractors, vendors, or parties to subcontracts.

For purposes of these City requirements, immediate family includes a spouse, parent or stepparent, child or stepchild, sibling or stepsibling, grandparent, grandchild, and the in-laws of those persons.

Procurement conflicts are subject to **2 CFR 200.318(c)** and applicable City procurement requirements. Other CDBG conflicts are subject to applicable federal, state, local, Agreement, and City requirements.

Actual, potential, or apparent conflicts must be documented on the applicable disclosure form and reported to the Project Manager **before** the affected person participates in the decision or activity. Maintain disclosures, recusals, governing-board or committee records, procurement records, corrective actions, and written City determinations.

Client Confidentiality

The Subrecipient must protect the confidentiality of clients, including their identities, services received, and reasons for receiving services.

Access to personally identifiable or sensitive information must be limited to persons who require the information for authorized duties. Paper and electronic records must be protected from unauthorized access, alteration, loss, or disclosure.

Information may be disclosed only when authorized by the Agreement, authorized by the client, or required by law or court order. Contractors, consultants, volunteers, and other persons with access to client information must follow the same applicable confidentiality requirements.

Grievance Procedures

The Subrecipient must maintain separate written procedures for **client grievances**, including grievances involving services provided through a subcontractor, and **contractor or vendor grievances**.

Each grievance procedure must address:

Required Element	Standard
Submission and documentation	How a complaint is received and documented.

Responsible person	Name or position authorized to review and resolve the complaint.
Resolution timeframe	Expected timeframe for review and resolution.
Appeal	Process available when the complainant is dissatisfied with the initial decision.
Tracking	How the complaint status, investigation, decision, appeal, and final outcome are documented.

The client grievance procedure must be displayed or otherwise readily accessible to clients at each project site. Maintain the complaint, investigation, decision, appeal, and final resolution while protecting confidential information.

Nondiscrimination, Fair Housing, and Accessibility

Requirement	Subrecipient Responsibility
Nondiscrimination and Equal Opportunity	Do not exclude, deny benefits to, or discriminate against a person on a basis prohibited by applicable federal, state, or local law. These requirements apply to service delivery, employment, procurement, communications, facilities, and other project operations.
Fair Housing	Comply with applicable requirements of the Fair Housing Act, Title VI of the Civil Rights Act, Section 109 of the Housing and Community Development Act, and applicable City requirements.
Fair Housing Materials and Training	Display the Equal Housing Opportunity logo and other fair-housing materials provided or required by the City in a prominent location and attend the City's required fair-housing training. Promptly report project-related fair-housing complaints to the Project Manager.
Section 504 and Accessibility	Comply with Section 504 of the Rehabilitation Act and other applicable accessibility requirements, including program access, reasonable accommodations or modifications, effective communication, and accessible facilities and procedures.

The Subrecipient must require contractors and subcontractors to comply with applicable nondiscrimination, fair-housing, and accessibility requirements.

Due Process and Safety Ordinance

The Subrecipient must comply with the City of San Diego Due Process and Safety Ordinance, San Diego Municipal Code Chapter 5, Article 2, Division 15, and the related requirements incorporated into the Agreement.

The Ordinance establishes protections concerning the use of City-funded programs, facilities, resources, and partnerships in connection with certain law enforcement activities and requires applicable City agreements to include specific compliance requirements.

Under the Agreement and applicable Ordinance requirements, the Subrecipient must:

- Comply with applicable California requirements concerning immigration worksite enforcement actions and legally protected health care and reproductive activities;
- Keep confidential information relating to a protected personal characteristic or protected personal activity that is received or obtained through performance of the Agreement, and not share or transmit that information except as permitted or required by the Agreement, applicable law, or performance of the Agreement;
- Post the signage required by the City at public entrances to applicable Subrecipient facilities located within the City of San Diego;
- Include the required Due Process and Safety provisions in subcontracts related to performance of the Agreement; and
- Notify the City within five business days of a request from federal law enforcement personnel, out-of-state law enforcement personnel, or a private party acting under color of law enforcement authority for assistance with applicable law enforcement activity involving a protected personal characteristic or protected personal activity.

The Subrecipient is responsible for ensuring that staff and applicable subcontractors understand these requirements and for maintaining documentation demonstrating compliance.

Required signage. Use the current signage or posting instructions provided or approved by the City. Do not modify required language unless authorized by the City.

Questions regarding whether the Ordinance applies to a particular circumstance or how the Subrecipient should respond to a law enforcement request should be referred promptly to the Project Manager. The Subrecipient should not independently interpret or modify requirements incorporated into the Agreement.

Religious Activities

CDBG-funded programs and activities must remain free from sectarian control or influence. CDBG funds, property, materials, services, or CDBG-funded staff time may not be used for worship, religious instruction, proselytizing, or another explicitly religious purpose.

When an organization conducts explicitly religious activities, those activities must be voluntary for participants, supported with non-CDBG resources, and separated from the CDBG-funded activity as required by applicable federal requirements.

Political and Lobbying Activities

CDBG funds, property, materials, services, or CDBG-funded staff time may not be used for:

- Partisan political activity.
- Supporting or opposing a candidate for public office.
- Political campaigns or fundraising.
- Lobbying or advocacy activities prohibited by the Agreement or applicable law, including prohibited efforts to influence legislation, ballot measures, or governmental action.

Maintain records sufficient to demonstrate that CDBG resources were not used for prohibited political or lobbying activities.

Access to Records

The Subrecipient must permit, and must require its contractors and subcontractors to permit, authorized City and federal representatives or their agents to inspect, audit, monitor, evaluate, copy, or make excerpts from records related in whole or in part to the Agreement.

Applicable records include accounting records, invoices, receipts, payroll and personnel records, contracts, program records, and other project data.

Records must be available:

- During normal business hours.
- As often as reasonably necessary for authorized review.
- At a reasonable location within the County of San Diego.

If required records cannot be made available within the County, the Subrecipient must pay the City's reasonable travel-related costs to inspect or audit the records where they are maintained.

Use of an accountant, payroll provider, national office, contractor, consultant, cloud-based system, or other third-party recordkeeper does not limit the City's or federal government's right of access.

The City will protect copies of records to the extent permitted by law.

Records Retention

The Subrecipient must maintain a written records-retention process and retain CDBG records for the longer of:

1. **Three (3) years after the Agreement expires or is terminated, or**
2. **Three (3) years after the City submits the annual performance report in which the activity is reported for the final time.**

Records must be retained longer when:

- Reversion-of-assets, continuing-use, or change-of-use requirements remain in effect.
- Loans, receivables, property obligations, or contingent liabilities remain outstanding. or
- An audit, monitoring issue, litigation, claim, investigation, finding, or corrective action remains unresolved.

The Subrecipient must ensure that contractors, subcontractors, consultants, and other record custodians retain applicable project records for the required period and make them available for authorized review.

After the applicable retention period ends, the Subrecipient must provide the City at least **thirty (30) calendar days' written notice** before disposing of project records.

Rights and Remedies Not Waived by Payment

City reimbursement, report approval, monitoring, or closeout does not waive an Agreement requirement or prevent the City from later questioning, disallowing, or recovering an ineligible or unsupported cost.

SECTION IV: Client Eligibility and Program Records

This section explains how the Subrecipient must determine CDBG eligibility, document the National Objective identified in the Agreement, and maintain source records supporting services, beneficiaries, businesses, and accomplishments reported to the City.

The Subrecipient must maintain a data-collection system that allows reported activity to be traced to complete and verifiable source records. The system may be electronic unless the Agreement, applicable law, or City instructions require an original or hard-copy record.

Program Records at a Glance

Step	Requirement
1. Confirm the National Objective	Follow the eligibility method identified in the Agreement.
2. Verify eligibility	Complete required income, presumed-benefit, residency, business, or other eligibility documentation before reporting the beneficiary.
3. Collect demographics	Obtain required demographic information directly from the participant.
4. Document services	Maintain contemporaneous records showing what was provided, when, and to whom.
5. Review the file	Complete required secondary verification before approving eligibility or reporting activity.
6. Prevent duplication	Use unique identifiers and reconcile monthly and cumulative totals.
7. Report only completed records	Do not report a beneficiary, business, service, or outcome until required source documentation is complete.

TIP: Document first. Report second.
Eligibility, residency, demographics, and service records should be complete before the participant or business is included in an MPR.

A. General Program Record Standards

The Subrecipient must maintain, and require applicable subcontractors to maintain, program records sufficient to demonstrate compliance with the Agreement and applicable CDBG requirements. At a minimum, records must:

- Describe the CDBG-funded activity and demonstrate the applicable National Objective;

- Support participant, business, property, or activity eligibility and City residency when required;
- Document required demographic information;
- Support reported services, outputs, outcomes, and accomplishments;
- Include required review or secondary verification; and
- Be secure, identifiable to the CDBG project, and available for City or federal review.

Unless the Agreement or written City instructions specifically require a particular City form, sample forms are provided as tools and do not prevent the Subrecipient from using an equivalent system that captures all required information and is acceptable to the Project Manager.

TIP: Build your intake and tracking system around your MPR indicators.
Every number reported in ED Grants should already exist in a source record before the MPR is prepared.

B. National Objective and Eligibility Method

Every CDBG-funded activity must meet the National Objective identified in the executed Agreement. The Subrecipient may not substitute another National Objective or eligibility method without prior written City approval.

The project file must clearly document:

- The applicable National Objective.
- How the beneficiaries or assisted activity meet that objective.
- The eligibility method used.
- Who reviewed and approved the eligibility determination.
- How reported accomplishments reconcile to the underlying eligibility and service records.

Approved Low- and Moderate-Income National Objective Methods

The eligibility method used for each project must be consistent with the executed Agreement and approved by the City Project Manager.

Method	General Application	Typical Documentation
LMC – Limited Clientele: Direct Income Documentation	Primary method used by most City-funded Public Services (PS) and Community and Economic Development (CED) projects. Eligibility is established by documenting the income of the person or family receiving assistance and comparing it with the applicable HUD income limit.	City-approved intake and income verification records, supporting income documentation, applicable HUD income limits, and documented eligibility review and approval.

LMC – Limited Clientele: Presumed Benefit	May be used only for qualifying Limited Clientele activities serving an approved HUD presumed-benefit population and when authorized by the Agreement or City.	Documentation establishing that each beneficiary belongs to an approved presumed-benefit category. Individual income documentation is not required.
LMA – Area Benefit	Used for an activity that benefits all residents of a defined, primarily residential area in which the required percentage of residents are low- or moderate-income.	City-approved service area, applicable census or other approved income data, and facility or activity records demonstrating the area served.

Project-specific National Objective and documentation requirements for NCIP, acquisition, relocation, housing, and other property-related activities are addressed further in Addendum A.

C. Limited Clientele Eligibility

Direct Income Documentation

Direct income documentation is the standard eligibility method for most City-funded Public Services and CED projects. When this method is identified in the Agreement, the Subrecipient must obtain and maintain sufficient documentation to establish the income eligibility of each person or family whose eligibility is used to meet the CDBG National Objective.

Income eligibility must be determined using the current HUD income limits and the income-calculation method required by the Agreement and City instructions. HUD income limits are adjusted by **family size**. Subrecipients must follow the City-approved intake and income-verification procedures to determine whose income is included in the calculation and may not substitute their own definition or methodology.

For a **Public Services** project qualifying as Limited Clientele through direct income documentation:

- At least **51 percent of the persons served must be low- or moderate-income**, unless the Agreement establishes a higher requirement.
- Persons above the applicable LMI limit may be served only when permitted by the Agreement and when doing so does not cause the project to fall below its required LMI percentage.
- Persons with incomplete or insufficient income documentation may not be counted toward the required LMI total.

For **CED Microenterprise Assistance**, direct income documentation is required. Each CDBG-assisted microenterprise owner counted as a beneficiary must meet the applicable low- or moderate-income requirement. Presumed Benefit may not be substituted for the required income determination.

Eligibility determinations must be completed and documented before the beneficiary is counted toward the project's CDBG accomplishments.

Presumed Benefit

Presumed Benefit is an alternative Limited Clientele eligibility method and **should not be used when the Agreement requires direct income documentation**.

HUD allows the following populations to be presumed principally low- and moderate-income for qualifying Limited Clientele activities:

Presumed-Benefit Category	Income Level Used for City Reporting
Abused children	Extremely Low Income
Battered spouses	Low Income
Elderly persons, age 62 or older	See special rule below
Severely disabled adults	Low Income
Homeless persons	Extremely Low Income
Illiterate adults	Low Income
Persons living with AIDS	Low Income
Migrant farm workers	Low Income

For **elderly beneficiaries**:

- When assistance constructs, converts, or rehabilitates a senior center or provides center-based senior services, report beneficiaries as **Moderate Income**.
- For other qualifying services to elderly persons, report beneficiaries as **Low Income**.

When Presumed Benefit is authorized:

- Individual income documentation is not required.
- The project file must document that each beneficiary qualifies under an approved presumed-benefit category.
- The eligibility record must identify the applicable category and date of determination.
- **All beneficiaries counted under the Presumed Benefit method must belong to an eligible presumed-benefit population.**

Direct income documentation and Presumed Benefit should not be combined within the same activity to establish Limited Clientele eligibility unless specifically authorized by the City.

Attachment A contains additional information regarding applicable presumed-benefit definitions, including the criteria used to determine whether an adult is severely disabled.

Presumed Benefit may not be used for:

- **Microenterprise Assistance.**

- **Housing Rehabilitation.**
- **Direct Financial Assistance to Homebuyers.**
- Any other activity for which the Agreement requires direct income documentation.

TIP: Presumed Benefit eliminates the income calculation, not the eligibility documentation. The project file must still contain sufficient documentation showing that each reported beneficiary belongs to the qualifying presumed-benefit population.

D. Income Eligibility

Income determinations must be completed consistently and supported by sufficient documentation.

The Subrecipient must maintain written procedures identifying:

Procedure Element	What It Must Address
Income method	Approved income definition and calculation
Income documentation	Records used to support reported income
Family/household size	Method used to select the applicable HUD limit
Staff responsibility	Who collects, calculates, reviews, and approves eligibility
Conflicting information	How discrepancies are resolved
Self-certification	When and how it may be used
Retention/security	How confidential eligibility records are protected

Current HUD Income Limits

Use the most current HUD Income Limits applicable to the City of San Diego and identified in **Attachment A**.

The eligibility record must identify:

- Applicable income-limit year.
- Family or household size used under the approved method.
- Applicable HUD income limit.
- Calculated annual income.
- Resulting income category.
- Final eligibility determination.

When HUD publishes updated limits, the Subrecipient must begin using the updated limits for new eligibility determinations as directed by the City.

Income Calculation Method

Unless the City provides different written instructions, income must be calculated using the **IRS Form 1040 income definition** and the most current applicable HUD Income Limits.

The **HUD CPD Income Eligibility Calculator** and **User Manual** may be used as calculation resources.

Income sources considered under the City's established method include, as applicable:

- Wages, salaries, tips, commissions, and similar compensation.
- Net self-employment income.
- Interest, dividends, net rental income, and income from estates or trusts.
- Social Security and railroad retirement.
- Supplemental Security Income and other public-assistance income.
- Retirement, survivor, and disability pensions, except applicable excluded Veterans disability benefits.
- Unemployment compensation.
- Child support and alimony.
- Other regularly received income.

The Subrecipient must apply the same approved method consistently to similarly situated applicants.

Source Documentation

Income documentation must be sufficient to establish the income used in the determination and should identify the income recipient, type and amount of income, and applicable period. Acceptable records may include tax, payroll, employer, benefit, pension, self-employment, or other documentation permitted under the approved method.

Resolve incomplete or conflicting information before approving eligibility.

Self-Certification

Self-certification may be used only when permitted by a City-approved form, project-specific guideline, or written City approval.

For general direct-income eligibility procedures, self-certification should not replace available source documentation unless the City's approved procedure allows it.

Microenterprise Assistance has separate City-approved self-certification rules. See Section I below and Attachment E.

Secondary Review Required

The Subrecipient must maintain an internal verification process for eligibility determinations.

The written procedure must identify the position responsible for:

1. Collecting eligibility information.
2. Completing the initial determination.
3. Reviewing the source documentation and calculation.
4. Approving the participant as CDBG-eligible.

The reviewer/approver **may not be the same position solely responsible for obtaining the original eligibility documentation from the participant**.

Before approval, the reviewer must confirm:

- Required records are present.
- Family or household size is supported.
- Applicable income sources were considered.
- Calculation is accurate.
- Correct HUD Income Limits were used.
- Required certifications and signatures are complete.
- Final determination agrees with the source documentation.

Record the reviewer, approval, and date.

Frequency of Eligibility Determinations

Eligibility must be established **before the participant is reported as an eligible CDBG beneficiary**.

Income and residency information must be updated at least as frequently as required by the applicable City form, Agreement, project guideline, or written City direction.

When a City eligibility certification specifies an expiration date, the determination may not be relied upon after that date without re-verification.

Microenterprise Assistance eligibility and residency must be reviewed **annually** in accordance with Attachment E.

TIP: Check the eligibility date before serving a returning participant.
A participant who was eligible last year is not automatically eligible under the current HUD limits.

E. City of San Diego Residency

For projects that report individual CDBG beneficiaries, the participant must be documented as a **City of San Diego resident** before being reported to the City.

A mailing address or ZIP code alone may not establish that an address is within City boundaries.

Examples of Acceptable Residency Documentation

The City's Microenterprise Assistance Guidelines identify the following types of records as acceptable evidence when they display a City of San Diego residential address:

Category	Examples
Identification	State-issued driver's license or identification card
Housing/Property	Lease or rental agreement. deed or title to residential property
Financial/Utility	Utility bill, cellular-phone bill, bank statement

Insurance	Medical, dental, vision, life, renter, homeowner, or vehicle insurance record
Government Records	Government correspondence, IRS or California tax return, voter-registration confirmation, court document
Vehicle/Postal	Vehicle registration/title, USPS Change of Address confirmation
Other Records	Medical or employment documentation showing the City address

When an individual experiencing homelessness cannot provide traditional residency documentation, City-approved documentation from **HMIS or a homeless-service provider** may be used when applicable.

When the City authorizes an eligibility/self-certification form that itself documents the participant's City address, separate residency documentation is not required unless the City requests additional support.

Microenterprise Assistance projects must establish City residency **annually**.

F. Client Intake and Demographic Information

For direct client and household services, the case file must contain sufficient information to verify eligibility, services, outcomes, and reporting.

Minimum Client Record

As applicable to the approved project, maintain:

Intake/Eligibility	Service/Case Record
Client name	Reason for intake or needs assessment
Unique identifier	Services proposed
Intake date	Actual services provided
Referring organization, if applicable	Dates, frequency, and duration
Parent/guardian, if applicable	Staff/provider involved
Address and contact information	Reassessment of client needs, when applicable, generally about halfway through an ongoing service period.
City residency	Completion/termination date
Family/household information	Reason services ended
Age/date of birth	Planned follow-up

Race and ethnicity	Actual follow-up attempts and outcomes
Income or presumed-benefit eligibility	Other Scope-required outcomes

Race and Ethnicity

Each participant must be given the complete City-approved set of CDBG race and ethnicity categories. **The participant, not staff, must make the applicable selection.**

The record must demonstrate that:

- The complete categories were made available.
- The participant selected or certified the applicable information.
- Race and ethnicity were collected as separate fields when required.
- Staff reviewed the record for completeness.

Do not determine race or ethnicity based on appearance, language, surname, or staff assumption.

Use **Attachment G: MPR Indicators and Descriptions** and the current City intake/demographic forms for the applicable categories.

Other demographic fields should be collected only when required by the Agreement or current reporting instructions.

TIP: Do not guess demographic information.
If required information is incomplete, resolve it before including the participant in the applicable demographic totals.

Unique Client Identifiers

Each participant must have a unique identifier that:

- Distinguishes the participant from other clients.
- Is used consistently across intake, eligibility, services, and reporting.
- Allows reported services and outcomes to be traced back to the case file.
- Helps prevent duplicate reporting.
- Protects the participant's identity when names are not needed.

Maintain a secure method for connecting the identifier to the underlying case file.

Client case files must be clearly identified as **CDBG project files**.

Incomplete Records

A participant may not be reported as an eligible beneficiary until required eligibility and source documentation is complete.

Examples include:

- Missing income or presumed-benefit documentation.
- Missing City residency.
- Missing required demographic information.

- Missing certification/signature.
- Unresolved inconsistencies.
- Expired eligibility documentation.
- Missing documentation that the reported service occurred.

The Subrecipient must have a process to identify incomplete files and prevent premature reporting.

G. Documenting Services, Activities, and Outcomes

The Subrecipient must maintain contemporaneous records showing what was provided, to whom, when, and how it relates to the approved Scope of Work.

Primary and Secondary Records

Record Type	Purpose	Common Examples
Primary Records	Document services provided directly to or on behalf of an individual participant	Client case file, intake, case notes, eligibility record, individual service record
Secondary Records	Document group, project-wide, or other activity not supported solely through an individual case file	Attendance sheets, appointment logs, workshop rosters, distribution logs, volunteer logs

Individual Services

For an individual service contact, document:

- Date.
- Type of service.
- Method of contact.
- Approximate duration or quantity when relevant.
- Staff or provider.
- Whether assistance was provided directly to or on behalf of the client.
- Result, next step, or follow-up.

Entries such as **"assistance provided"** or **"case management"** without enough information to identify the actual service are not sufficient.

Group Services

For workshops, classes, or other group activities, maintain:

- Activity title.
- Date, time, and location.
- Staff/instructor/provider.
- Agenda, syllabus, or materials when applicable.
- Participant names or unique identifiers.

- Actual attendance.
- Outcome or completion information when required.

Use **actual attendance**, not registration or estimated participation, when documenting persons served.

Referrals and Follow-Up

Unless the Scope of Work establishes otherwise, the Subrecipient should attempt follow-up after termination of direct client services and document the follow-up date, attempt, and outcome. Record:

- Referral date.
- Service or organization referred to.
- Reason.
- Action taken.
- Planned follow-up.
- Actual follow-up attempt.
- Outcome, if known.

H. Unduplicated Reporting

An unduplicated participant is generally counted once during the applicable reporting period regardless of how many eligible services the person receives.

The Subrecipient must maintain unique identifiers and records sufficient to distinguish new unduplicated beneficiaries from repeat service contacts, units of service, household-level measures, and other accomplishments. See **Section V: Monthly Reporting** and **Attachment G: MPR Indicators and Descriptions** for monthly counting and reconciliation requirements.

I. Project-Specific Records

Public Services

Public Services projects must follow the eligibility, residency, demographic, service-documentation, and unduplicated-reporting requirements in Sections C through H based on the National Objective and eligibility method identified in the Agreement.

Eligibility Standard

Method	Requirement
Direct Income Documentation	At least 51 percent of persons served must be LMI unless the Agreement requires a higher percentage.
Presumed Benefit	100 percent of persons reported must qualify under an applicable HUD presumed-benefit category.

Primary records must support individualized services. Secondary records must support group, workshop, distribution, volunteer, or other applicable activity.

Community Economic Development

CED projects must maintain records appropriate to the activity identified in the Agreement, including applicable participant or business eligibility, business characteristics, services or technical assistance, jobs or business outcomes, financial assistance, licenses, follow-up, and other Scope-required accomplishments.

Microenterprise Assistance requirements apply only when the Agreement identifies the activity as Microenterprise Assistance.

Microenterprise Assistance

A microenterprise is a commercial enterprise with five (5) or fewer employees, one or more of whom owns the business. Each CDBG-funded Microenterprise Assistance client must be LMI, be a City of San Diego resident, and intend to establish or expand a qualifying business within the City.

One hundred percent (100%) of CDBG-funded Microenterprise Assistance clients must meet the applicable LMI standard, and Presumed Benefit may not be used. Business establishment or expansion may be reported only after the required eligibility, business, and accomplishment documentation is complete. **Self-certification may not be used to establish LMI eligibility for a Business Expansion.**

Follow **Attachment E: CED Microenterprise Assistance Guidelines** for required income documentation, self-certification rules, business plans, Business Tax Certificates, establishment and expansion documentation, counting rules, and other activity-specific requirements.

Income Documentation for Microenterprise Assistance

Attachment E establishes a tiered documentation standard.

Assistance/Outcome	Acceptable Income Documentation
LMI Client Assisted or Business Established	City-approved signed Self-Certification For; **or** most recent tax return; **or** recent paystubs for employed household members plus signed household-size certification; **or** monthly profit-and-loss statement supported by revenue documentation plus applicable household income and signed household certification
Business Expanded	Most recent tax return; **or** supported monthly profit-and-loss statement plus applicable household income and signed household certification; **or** recent paystubs for employed household members plus signed household-size certification

Documentation of public-benefit receipt, such as Medi-Cal or SNAP, and bank statements by themselves are not sufficient to establish LMI status for a business expansion.

Microenterprise Service and Business Records

Accomplishment	Required Program Records
LMI Client Assisted	Program enrollment/intake form plus workshop attendance or documentation of one-on-one technical assistance
Business Established	Program enrollment/intake form. current business plan. applicable City Business Tax Certificate. and other required business documentation
Business Expanded	Program enrollment/intake form. current or updated business plan. documented expansion plan and evidence of expansion. applicable City Business Tax Certificate
Capital Assistance	Applicable loan/grant, underwriting, approval, and assistance records required by the Agreement or Guidelines

Business Plan Requirements

For a **business establishment**, the business plan should include, at minimum:

- Business description.
- Market review.
- Anticipated start-up steps and costs.

For a **business expansion**, the updated business plan must also document, as applicable:

- Current rates for products or services.
- Existing equipment, tools, vehicles, property, or storefront.
- Revenue and expenses for the prior two months.
- Steps required for the proposed expansion.
- How the planned actions will result in an actual expansion, such as increased service capacity, new equipment, additional employees, a new product/service, or another location.

These elements are further detailed in Attachment E: CED Microenterprise Assistance Guidelines.

Business Tax Certificate

A City of San Diego Business Tax Certificate must be maintained for an established or expanded microenterprise when required.

For an in-home childcare microenterprise, an applicable **State of California daycare license** may be accepted in place of the City Business Tax Certificate when the business operates in a home for eight or fewer children, including children younger than 10.

Avoiding Duplicate Microenterprise Reporting

Microenterprise records must support the following City counting rules:

- A business may be reported as **established or expanded once per program year, not both**.

- A qualifying expansion may be reported in a later program year when a new expansion occurs.
- Separate and distinct businesses established by the same client may be documented separately.
- An unduplicated LMI client receiving workshops or technical assistance is counted only once per program year by the Subrecipient.
- A business should not be entered as established or expanded until the required business documentation is complete.

TIP: Receiving technical assistance is not the same as establishing or expanding a business. Report a business outcome only after the file contains the documents demonstrating that the establishment or expansion actually occurred.

Five-Year Business Follow-Up

Maintain and document the **annual status of each assisted business for at least five (5) years after the termination of services**, as required by the City's Microenterprise Assistance standards.

Follow **Attachment E: CED Microenterprise Assistance Guidelines** for the complete project-specific requirements.

NCIP and Construction

NCIP and other CDBG-funded construction projects must maintain records demonstrating the National Objective identified in the Agreement, including applicable documentation of the facility, service area, beneficiaries, or other approved basis.

Detailed construction, property, housing, acquisition, relocation, labor, procurement, and post-closeout records are consolidated in:

- **Addendum A: NCIP/Construction Requirements.** and
- **Attachment F: Construction Project Checklist.**

Other Approved Activities

For another approved activity, the Subrecipient must maintain records sufficient to demonstrate the activity's eligibility, National Objective, beneficiaries or benefit provided, completed services or improvements, reported accomplishments, required approvals, and reconciliation with applicable fiscal records. The City may establish additional requirements through the Agreement, a project-specific guideline, checklist, or written instruction.

SECTION V: Monthly Reporting

Monthly reporting allows the City to monitor project implementation, confirm that reported activities and expenditures are consistent with the Agreement, identify concerns early, and document CDBG accomplishments reported to HUD.

Each Subrecipient must submit complete and accurate monthly reports in ED Grants for every required reporting period. Reported information must be supported by the program, fiscal, personnel, procurement, construction, and other source records applicable to the project.

City acceptance of an MPR or RFR is subject to later verification through reimbursement review, monitoring, audit, year-end reporting, or closeout.

Monthly Reporting at a Glance

Step	Requirement
1. Complete source records	Eligibility, services, activities, costs, payments, and project progress must be documented first.
2. Prepare the MPR	Report activities, indicators, demographics, progress, delays, and required attachments.
3. Prepare the RFR	Report eligible costs paid during the applicable reporting period.
4. Reconcile the reports	The MPR, RFR, and underlying records must tell the same story.
5. Submit by the deadline	Complete the final ED Grants submission by the 15th of the following month.
6. Respond to City review	Correct returned reports and provide requested clarification promptly.

TIP: Document first. Report second.
Do not create monthly totals from memory when preparing the MPR. The totals entered in ED Grants should already be supported by complete source records.

A. Monthly Reporting Requirements

Reporting Period

Unless the Agreement or written City instructions establish another schedule, each reporting period covers one calendar month during the Agreement term.

An MPR and RFR are required for **every reporting month**, including months when:

- No project activity occurred.
- No clients, households, or businesses were served.

- No construction occurred.
- No CDBG costs were paid.
- The project experienced a delay.

When there is no activity or limited activity, the MPR must explain the project status and the reason.

The final MPR must include all reportable project activity completed through the Agreement termination date.

Monthly Deadline

CDBG MPRs and RFRs must be submitted through ED Grants no later than the **15th calendar day of the month following the reporting period**, unless the City provides a different deadline in writing.

For example:

August activity → September 15 reporting deadline

The deadline applies regardless of the day of the week on which the 15th falls.

A report is not considered submitted merely because information was entered or attachments were uploaded. The Subrecipient must complete the final ED Grants submission through the authorized representative.

MPR and RFR Required Each Month

Submission	What It Documents
Monthly Programmatic Report (MPR)	What occurred during the month, who or what benefited, performance indicators, demographics, progress, and challenges
Request for Reimbursement (RFR)	Eligible project costs paid by the Subrecipient during the applicable reporting period

When there is no reimbursement request, the Subrecipient must still submit the RFR and applicable **No Claims Form** under Section VI.

The MPR and RFR must cover the same reporting period and be consistent. Examples:

- Personnel costs should correspond with project activity.
- Consultant invoices should relate to work described in the MPR.
- Client-use items should relate to reported service delivery or distribution.
- Construction costs should correspond with reported construction progress.
- A significant reimbursement request should not conflict with an MPR showing little or no project activity.

The Project Manager must approve the applicable MPR before the corresponding RFR can receive final City approval. The City may hold reimbursement while programmatic issues remain unresolved.

TIP: Review the MPR and RFR together before submitting either one.
A reviewer should be able to understand why the costs claimed in the RFR make sense based on the activity reported in the MPR.

B. Preparing the Monthly Programmatic Report

The MPR documents project activities and progress toward the approved Scope of Work, performance measures, milestones, and outcomes.

The required MPR fields and indicators depend on the project's **approved activity category and Scope of Work**. Use:

- **Attachment G: MPR Indicators and Descriptions** for indicator definitions. and
- **Attachment H: MPR Guide** for current ED Grants submission instructions.

MPR Components

MPR Area	What to Report
Overview/Narrative	Monthly activity, beneficiaries, progress, challenges, delays, and corrective action
Indicators	Reporting-month accomplishments for the indicators assigned to the project
Demographics	Applicable beneficiary race, ethnicity, income, and other required information
Project-Specific Fields	Business, housing, construction, or other information when applicable
Attachments	Required photographs, schedules, supplemental narrative, or other requested records

The ED Grants interface may change over time. Follow the current MPR Guide when system-specific instructions differ from screenshots or instructions saved from a prior year.

C. MPR Narrative

The narrative should explain the monthly status of **each applicable activity in the approved Scope of Work**.

A useful narrative should allow someone unfamiliar with the project's daily operations to understand:

Question	What the Narrative Should Explain
What happened?	Services, activities, events, technical assistance, procurement, construction, or other work completed

Who or what benefited?	Clients, households, businesses, facility, service area, or other applicable beneficiaries
How much progress was made?	Relevant milestones, accomplishments, outputs, or outcomes
Is the project on track?	Schedule, performance, and expenditure status
What needs attention?	Delays, barriers, corrective action, or requested City assistance

Avoid descriptions such as:

- “Services continued.”
- “Clients were assisted.”
- “Construction is ongoing.”

Instead, identify the actual work performed and relevant progress.

Non-CDBG Activity

Non-CDBG activity may be discussed when it provides useful project context, but it must be clearly identified as **not funded with CDBG**.

Do not include non-CDBG accomplishments in CDBG performance totals.

Longer Narratives

When additional explanation is needed, the Subrecipient may upload a supplemental narrative as an attachment when allowed by the current MPR Guide.

The ED Grants narrative field should still contain a concise monthly summary so the report can be understood without relying solely on an attachment.

TIP: Use the narrative to explain the numbers, not repeat them.
If an indicator says 23 clients were served, the narrative should explain what those clients received and whether the activity is progressing as expected.

D. Performance Indicators

Report only the indicators assigned to the project in ED Grants and identified through the approved Scope of Work and **Attachment G: MPR Indicators and Descriptions**.

Indicators may include:

Project Type	Examples
Public Services	Unduplicated clients, households, units of service, workshops, or outcomes
CED/Microenterprise	Persons assisted, businesses established or expanded, technical assistance, training, jobs, or other economic-development outcomes

NCIP/Construction	Construction or facility milestones and other project-specific accomplishments
Other Activities	Indicators assigned by the City based on the eligible activity and National Objective

Reporting Rules

- **Use the reporting-month total.** Report only activity attributable to that month unless an indicator specifically requires another measure.
- **Report zero when appropriate.** When no reportable activity occurred, enter zero rather than estimating activity.
- **Use source records.** Each reported accomplishment must be supported by the records required under Section IV.
- **Count the correct unit.** Distinguish clients, households, businesses, service contacts, workshops, units, jobs, and other measures.
- **Avoid duplicate reporting.** An unduplicated beneficiary or business should not be counted again simply because multiple services were provided.
- **Reconcile cumulative totals.** Monthly totals must reconcile with year-to-date totals and internal tracking records.
- **Follow indicator definitions.** Do not redefine an indicator or substitute another measure without written City approval.

TIP: If you are unsure what an ED Grants indicator means, check Attachment G before entering a number.
Similar-sounding indicators may count different things.

E. Client and Demographic Reporting

Demographic information must come from completed participant eligibility and intake records under **Section IV.** Do not estimate or infer demographic information, and do not include a beneficiary in applicable eligible-beneficiary or demographic totals until required documentation is complete.

ED Grants Validation

Before submitting the MPR, confirm that required demographic totals reconcile.

The City's MPR workflow has historically required the applicable totals for:

Unduplicated beneficiaries = Race/Ethnicity totals = Income totals

ED Grants may prevent submission when required demographic totals do not reconcile. Use the current validation function and Attachment H instructions before final submission.

TIP: If the demographic totals do not reconcile, fix the source records first.
Do not adjust one ED Grants category simply to make the system totals match.

F. Reporting Delays, Limited Progress, or No Activity

The Subrecipient must provide a meaningful explanation when project implementation is delayed or performance is significantly below expectations.

An explanation is generally required when:

Situation	Narrative Should Address
No activity	Why nothing occurred and when activity is expected to resume
No beneficiaries served	Cause and steps being taken to increase or restore service delivery
Performance below goal	Cause, affected indicator, corrective action, and expected recovery
Missed milestone	Reason, schedule impact, and revised completion plan
Staff vacancy	Effect on implementation and staffing solution
Contractor issue	Work affected and corrective action
Permit/approval delay	Outstanding item, responsible party, and expected resolution
Spending delay	Reason expenditures are behind and projected spending plan
Other barrier	Project impact and assistance or City approval needed

The explanation should identify:

1. What happened.
2. Why it happened.
3. What project activity or goal was affected.
4. What corrective action is underway.
5. When the issue is expected to be resolved.
6. Whether City assistance or approval is needed.

Reporting a problem does not automatically revise the Agreement, Scope of Work, budget, performance goal, or schedule.

When a change requires City approval, follow **Section III: Managing Your CDBG Project**.

TIP: A recurring explanation is not a corrective-action plan.
If the same barrier appears month after month, explain what has changed or what additional action will be taken.

G. Late Reports

The Subrecipient must contact the Project Manager **before the deadline** when it expects an MPR or RFR to be late.

Notification alone does not extend the deadline. A different deadline must be approved by the City.

When an MPR or RFR is submitted late without prior approval, the MPR narrative must explain:

- Why the submission was late.
- The circumstances that caused the delay.
- The action taken to resolve the immediate issue.
- How the Subrecipient will prevent recurrence.

Late or Incomplete Reporting Consequences

Late, incomplete, inaccurate, or repeatedly deficient reporting may result in:

- Return of the report for correction.
- Delayed reimbursement.
- Technical assistance.
- Noncompliance Notification.
- Corrective action.
- Suspension of reimbursement.
- Termination or other remedies under the Agreement.
- Consideration in the City's evaluation of Subrecipient performance.

H. Submitting the MPR in ED Grants

Attachment H contains the current step-by-step ED Grants instructions. The Manual establishes the underlying requirements rather than duplicating every system screen.

Upload all attachments required by the Agreement, ED Grants, applicable indicator, project type, addendum, or written City instruction. Attachments must be complete, readable, relevant to the reporting period, and consistent with the MPR.

Before final submission:

Check	Confirm
Reporting Period	Correct month is being reported
Narrative	All Scope activities and significant issues are addressed
Indicators	Reporting-month totals agree with source records
Demographics	Totals reconcile and come from completed records
Project-Specific Fields	Applicable business, housing, or other information is complete
Attachments	Required files are uploaded and readable

Validation	ED Grants validation issues have been resolved
MPR/RFR Alignment	Program activity supports the reimbursement request
Final Submission	Authorized Primary Representative completes the submission

A Secondary Representative may prepare information in ED Grants, but only the authorized **Primary Representative** may complete the official submission when ED Grants reserves that action to the Primary Representative.

TIP: "Saved" is not "submitted."
Before the deadline, confirm that the MPR status shows that it was actually submitted to the City.

Sequence of Reports

Follow **Attachment H: MPR Guide** for current ED Grants workflow, sequencing, and system-specific submission instructions.

I. City Review and Corrections

The Project Manager reviews each MPR to determine whether:

Review Area	City Review
Timeliness	Report was submitted by the required deadline
Completeness	Required fields and attachments are present
Accuracy	Totals and narrative are internally consistent
Scope Compliance	Activities agree with the approved Scope of Work
Performance	Project is progressing toward approved goals and milestones
Source Support	Reported accomplishments are supported by project records
RFR Alignment	Reported activity supports the corresponding reimbursement request
Compliance	No unresolved City or federal compliance issue prevents approval
Technical Assistance	Repeated issues indicate a need for additional assistance

Returned MPR

The City may return an MPR when:

- Narrative information is insufficient.
- Required data or attachments are missing.
- Totals are inconsistent.
- Reported activity is unsupported.
- Project performance requires clarification.
- A compliance issue must be resolved.

The Subrecipient must respond to the City's comments, revise all affected fields or attachments, and

Revising a Previously Approved MPR

If an error is discovered after approval, contact the Project Manager before revising the report.

Follow the current MPR Guide for the revision process. Revisions are tracked in ED Grants and may require the report to go through City approval again.

Do not wait until closeout to correct known monthly reporting errors. Closeout totals should reconcile to the approved MPRs rather than serve as a substitute for correcting inaccurate monthly data.

TIP: Fix errors in the month where they occurred.
Monthly reports become the source for cumulative and closeout reporting, so correcting an error early prevents larger reconciliation problems later.

SECTION VI: Requesting Reimbursement

CDBG funding is provided on a reimbursement basis. The Subrecipient must first pay an eligible project cost using organizational funds and then request reimbursement through the Economic Development Grants Management System (ED Grants).

Each Request for Reimbursement (RFR) must be complete, accurate, and supported by records demonstrating the nature and project purpose of the cost, when it was incurred and paid, the applicable budget line, the CDBG amount and allocation methodology, and payment from the Subrecipient's organizational account.

City payment of an RFR does not waive an Agreement requirement or prevent the City from later questioning, disallowing, or recovering a cost determined to be ineligible, unsupported, or improperly charged.

Reimbursement at a Glance

Step	Requirement
1. Incur the cost	Cost must relate to the approved project and occur within the Agreement period.
2. Pay the cost	Subrecipient pays the employee, vendor, consultant, or other approved party using organizational funds.
3. Document it	Maintain the applicable City form, source records, allocation, and proof of payment.
4. Submit the RFR	Enter the request in ED Grants under the correct reporting month and budget line.
5. City review	City reviews the RFR for eligibility, documentation, payment, budget, and reporting consistency.
6. Reconcile payment	After payment, reconcile the City reimbursement to the RFR and accounting records.

A. How Reimbursement Works

Reimbursement-Based Funding

Before requesting reimbursement, the Subrecipient must confirm that the approved goods, services, or work were received, the cost is eligible and properly allocated, payment was made from an organizational account, and the transaction is recorded and supported in the accounting system.

The City reimburses only the Subrecipient named in the Agreement. The City does not directly pay the Subrecipient's employees, vendors, consultants, contractors, or other creditors.

The Subrecipient may not:

- Request reimbursement before making payment, except where this Manual or written City instructions specifically allow.
- Pay a reimbursable cost using a personal account.

- Request reimbursement based only on an unpaid invoice or credit-card statement.
- Use CDBG reimbursement to repay a person or institution that loaned funds for the purchase.
- Advance or loan CDBG funds to another person or organization.
- Use a personal or organizational credit card or charge account for a cost to be reimbursed by CDBG unless the City approves an alternative procedure in writing before the transaction occurs.

Any exception to the City's reimbursement process requires prior written City approval.

Monthly Submission Requirement

An RFR must be submitted in ED Grants for **every monthly reporting period**, whether or not the Subrecipient has costs to claim.

Unless the City provides different written instructions, CDBG RFRs are due by the **15th calendar day of the month following the reporting period**.

Each RFR must include:

RFR Component	Requirement
ED Grants entry	Complete all required fields
Financials	Enter the amount claimed under each applicable budget line
City forms	Download and complete the current form required for each line claimed
Source records	Invoice, payroll, receipt, or other documentation establishing the cost
Allocation	Calculation of the CDBG share when the entire cost is not charged to CDBG
Proof of payment	Documentation showing payment from the organizational account
Explanation	Provide comments when an adjustment, proration, correction, or unusual circumstance requires clarification

Reporting Month

A cost must generally be claimed in the reporting month in which the **Subrecipient paid the cost**, rather than the date of the invoice.

For example, an invoice dated April 15 but paid May 2 is generally included in the **May RFR**. Special rules may apply to:

- Final-period personnel costs.
- Prepaid or periodic expenses, which must be prorated and claimed according to the applicable coverage period.
- Client-use items claimed when distributed.
- Other costs specifically addressed by City guidance.

Costs may not be accumulated over several months and later submitted as a bundled reimbursement request.

TIP: Use the payment date to choose the reporting month.
An invoice date does not usually determine the RFR month. Start with the date the Subrecipient paid the cost, then apply any specific exception in this section.

No-Claim RFRs

An RFR is required even when no costs are claimed. For a no-claim month, the Subrecipient must:

1. Complete the RFR in ED Grants.
2. Enter a requested amount of zero.
3. Upload the required **No Claims Form** and any other mandatory attachment.
4. Complete the Agency Approval.
5. Submit by the monthly deadline.

Before submitting a no-claim RFR, review the accounting records carefully. By submitting a no-claim certification, the Subrecipient confirms that it does not intend to later claim costs for that reporting period.

A cost discovered after the applicable RFR is approved is not automatically eligible to be claimed in a later month. Prior written City approval is required before a retroactive claim is submitted.

Relationship Between the MPR and RFR

The Monthly Programmatic Report (MPR) and RFR must cover the same reporting period and present a consistent record of project activity. For example:

- Personnel costs should correspond with documented project activity.
- Consultant invoices should relate to work performed for the approved project.
- Client-use supply costs should correspond with documented services or distributions.
- A substantial reimbursement request should not conflict with an MPR showing little or no project activity.

Programmatic and fiscal reviews are separate. Approval of an MPR does not establish that every cost in the RFR is eligible.

The City may hold RFR approval and payment until the applicable MPR is approved and programmatic questions have been resolved.

TIP: The MPR and RFR should tell the same story.
Before submitting, compare staffing, consultant activity, client-use supplies, construction progress, and other significant costs with the activity described in the MPR.

B. Cost Eligibility and Budget Controls

A cost is not eligible solely because it appears in the approved budget. Each cost must comply with the Agreement, approved Scope of Work, budget narrative, this Manual, and applicable federal and City requirements.

When the allowability of a planned cost is uncertain, the Subrecipient must contact the Project Manager **before incurring or paying the cost**.

Eligible Cost Test

Before claiming a cost, confirm:

Question	Standard
Approved?	Cost supports the approved Scope of Work and budget narrative
Necessary?	Cost is needed for proper and efficient project delivery
Reasonable?	Amount is comparable to what a prudent organization would pay
Allocable?	CDBG is charged only its appropriate share
Timely?	Cost occurred within the Agreement period and is claimed in the correct reporting period
Consistent?	Cost is treated consistently with organizational policies and applicable cost principles
Procured?	Applicable procurement requirements were followed
Supported?	Documentation establishes the nature, amount, approval, allocation, and payment
Net of credits?	Discounts, refunds, rebates, allowances, and other applicable credits reduce the amount claimed

An unusual or nonrecurring cost must include enough explanation to demonstrate how it relates to the approved CDBG project and the Subrecipient's established policies.

TIP: Budget approval does not equal cost eligibility.
A cost must still be necessary, reasonable, allocable, timely, properly procured when applicable, and adequately documented.

Agreement Period

The underlying goods, services, or work must relate to the Agreement period.

- Salaries may be charged only for work performed during the Agreement period.
- Goods and services must be received or provided during the authorized period.
- Annual or quarterly expenses must be prorated so that only the applicable Agreement-period share is claimed.
- A later payment date does not make a cost incurred outside the Agreement period eligible.

Budget Modifications

A budget modification must be submitted through ED Grants and approved **before the Subrecipient exceeds an approved budget line**.

Requirement	Rule
Scope of Work	A budget modification may not change the approved Scope of Work
Need	Explain why the modification is necessary to complete the approved activities
Total Award	May not increase

New Budget Line	Requires City approval and adequate justification
PE and NPE	Funds may not be transferred between Personnel Expense and Non-Personnel Expense major categories
Indirect Costs	May not be shifted into or out of another major cost category without applicable approval
Personnel Position Changes	Under the City's Flexible Budget Rule, the Subrecipient may add or change positions within the approved Personnel Expense (PE) category without a budget modification, provided the total approved PE amount is not exceeded and the change does not alter the approved Scope of Work. The Subrecipient must explain the staffing change in the applicable PES Comments section when it occurs.
Deadline	Submit before the March RFR and no later than **April 15**, unless otherwise instructed by the City

A budget modification changes how the approved award is distributed. It does **not** authorize a change to the approved Scope of Work.

The City will not increase the total award through a budget modification. Separate City Council allocations may not be combined or "banked" by the Subrecipient to create a larger future award unless expressly authorized by the City.

TIP: A budget modification is prospective.
Obtain approval before exceeding an approved budget line or using funds for a new approved purpose. A budget modification cannot be used to retroactively authorize a cost or change the Scope of Work.

Accelerated Spending

Excessive spending during the final **90 days** of the Agreement period is prohibited.

Administrative supplies and equipment. Approved administrative supplies or equipment used by staff to deliver the project must generally be purchased within the first **six months** of the Agreement so that the items can be meaningfully used during the project period.

Examples include office supplies, employee uniforms or badges, and approved computer hardware or software.

- **Client-use items.** Approved supplies for direct client use may be purchased later when tied to actual project need or distribution.
- **Final 90 days.** Only small, necessary purchases that support completion of the approved project and will be used within the Agreement period should be made.
- **No stockpiling.** Supplies or equipment may not be purchased simply to spend down the remaining award or for use after the Agreement ends.

Common Ineligible Costs

The following summarizes costs that are generally not eligible for reimbursement unless specifically authorized by the Agreement or written City approval.

Category	Examples
Unrelated Costs	General organizational expenses or work outside the approved project
Bad Debt/Reserves	Bad debts, contingency reserves, or set-asides for future expenses
Fundraising/Donations	Fundraising, grant-seeking, contributions, or donations
Entertainment	Social events, parties, retreats, open houses, groundbreaking events, general organizational events
Penalties/Financing	Fines, penalties, late fees, returned-payment fees, interest, financing/refinancing charges
Unrelated Memberships/Training	Memberships, subscriptions, meetings, conferences, or training unrelated to the approved project
Out-of-Area Training	Administrative or project-staff training outside the San Diego metropolitan area unless specifically approved
Personal or Credit Accounts	Costs paid using personal cash, personal accounts, personal credit cards, or unapproved charge accounts
Gift Cards/Cash Awards	Gift certificates, gift cards, cash awards, bonuses, or cash compensatory-time payments
Deposits	Refundable rent, utility, equipment, or other deposits
Other Programs	Costs attributable to another funding source, City department, program, or organization
Outside Agreement Period	Costs incurred before or after the authorized Agreement period
Property Costs	Mortgage payments, property taxes, automobile purchases, and rent or licensing charges for City-owned property when prohibited
Administrative Costs	File-storage fees, regular employee parking, or employee cell-phone data packages when not specifically eligible
Bundled Costs	Expenses accumulated from earlier periods and submitted later as one claim
Income Payments	Subsistence-type payments except when specifically eligible and approved
Unapproved Costs	Any cost not authorized by the Agreement and applicable budget narrative

Accrued vacation or sick leave may not be used simply as pay in lieu of leave or as a project-end reserve. Any otherwise allowable payout when an employee separates during the Agreement period must comply with organizational policy and be properly allocated among the periods and funding sources under which the leave was earned.

Construction-specific ineligible costs are addressed in the **NCIP and Construction Addendum**.

C. Preparing the RFR in ED Grants

Detailed system instructions are provided in the current **RFR Guide**. The requirements below identify the information and documentation that must support the RFR.

Overview and Agency Approval

ED Grants Item	Requirement
Unique Invoice Number	Use a unique identifier for each RFR so the request can be processed by the City's accounting system.
Final Payment	Select only when submitting the final reimbursement request for the Agreement.
Resubmission	When permitted, identify the prior reporting period and disallowed amount and provide corrected documentation.
Agency Approval	The authorized representative must review and certify the complete RFR before submission.
Financials	Enter each requested amount under the applicable approved budget line and ensure it reconciles to the City form and supporting records.

Detailed ED Grants procedures are provided in Attachment I: RFR Guide.

D. Required City RFR Forms and Supporting Documentation

For each budget line being claimed, the Subrecipient must download the **current applicable City form from ED Grants**, complete it, and upload it with the required supporting documentation.

Do not rely on forms saved from a prior fiscal year.

TIP: Build each budget-line packet in review order.
Organize the City form, source documentation, allocation, proof of payment, and applicable service or delivery records in the same sequence so the amount claimed can be traced quickly.

City Forms at a Glance

City Form	Primary Use
Personnel Expense Schedule (PES)	Salaries and wages
Fringe Benefit Payment Schedule (FBPS)	Employer-paid fringe benefits
Administrative Indirect Overhead Calculation Form	Approved indirect-cost claims
List of Expenditures	Applicable non-personnel expense lines
Client-Generated Income Form	Applicable project-generated income
Bank Statement/Check Reconciliation Form	Outstanding payments when permitted

No Claims Form	Reporting periods with no reimbursement request

ED Grants identifies the form required for each budget category.

Unless directed otherwise, organize the supporting documentation for each budget line into one clear PDF in the following order:

1. Applicable City form.
2. Invoice, payroll record, or other source documentation.
3. Allocation or calculation.
4. Proof of payment.
5. Delivery, service, or distribution records when applicable.
6. Any explanation needed to understand the claim.

Documents must be complete, legible, unaltered, relevant to the claim, and organized so the reviewer can readily trace the amount requested.

The Subrecipient must retain the authoritative source records and make them available at the local records location required by the Agreement for City, HUD, monitoring, or audit review.

Personnel Expense Schedule

When claiming Salaries and Wages, complete the current **Personnel Expense Schedule (PES)**.

The PES and supporting documentation must identify:

Required Detail	Supporting Record
Employee and position	Must correspond with approved personnel budget
Pay period	Payroll/timekeeping record
Payment date	Payroll register and bank record
Check/direct deposit	Payment identification
Total hours	Payroll/time record
Actual CDBG hours	Time and attendance record
Gross pay	Payroll record
CDBG amount claimed	Allocation based on actual CDBG work
Position changes	Explain in PES comments when applicable

Supporting documentation must include:

- Applicable signed or electronically approved time records.
- Payroll register or payroll service documentation.

- Actual allocation of employee time to CDBG.
- Payroll summary or ledger.
- Proof of payment from the organizational account.

If electronic timekeeping is used, the Subrecipient must be able to demonstrate employee submission and supervisory approval. Additional personnel activity or General Ledger documentation may be required to verify the hours charged.

Personnel costs are generally claimed when payroll is **paid**, not when the pay period ends.

Fringe Benefit Payment Schedule

Budgeting Fringe Benefits

Fringe benefits must be budgeted and claimed under the category that accurately describes the employer-paid benefit. Each distinct fringe benefit type must be established as a separate Fringe Benefits budget line in ED Grants rather than creating separate lines for each employee or position.

For example, Social Security, Medicare, health insurance, workers' compensation, retirement contributions, and other approved benefit types should each be identified separately. A general description such as **"Other Employee Benefits"** is not sufficient when the specific benefit can be identified.

For each Fringe Benefits budget line, the approved budget narrative must identify, as applicable:

- The specific benefit type.
- The position(s) receiving the benefit.
- The carrier, plan sponsor, payroll provider, or other applicable payee.
- The employer contribution rate, actual-cost methodology, or other calculation used.
- How the CDBG-funded portion was determined.
- The total amount requested from CDBG.

When more than one CDBG-funded position receives the same benefit, the positions should be combined within the applicable benefit line rather than establishing a separate fringe line for each position.

Paid Leave and Other Authorized Absences

Paid leave must be categorized according to the type of leave and the City-approved budget treatment.

For City budgeting purposes:

Leave Type	City Budget Treatment
Annual leave/personal time	Personal time that is treated as part of the organization's annual leave benefit may be included under **Salaries and Wages** when specifically identified in the approved budget

	narrative and supported by the organization's written leave policy.
Parental/family-related leave, military leave, jury/court leave, and similar extended authorized absences	When approved for CDBG reimbursement, these costs must be identified and budgeted under **Fringe Benefits** rather than Salaries and Wages. The specific type of authorized leave must be clearly identified in the budget narrative.
Bereavement leave	The City does not currently reimburse bereavement leave with CDBG funds. The Subrecipient must use an alternative funding source unless the City provides different written approval.

An organization's personnel policy alone does not establish that a leave cost is eligible for CDBG reimbursement. The leave type must also be included in the approved CDBG budget and treated in accordance with the City's approved budget category.

TIP: Budget the benefit, not the employee.
Create one Fringe Benefits line for each approved benefit type and identify all applicable CDBG-funded positions in the narrative. Avoid generic categories such as "Other Employee Benefits" when the specific benefit can be identified.

The **Fringe Benefit Payment Schedule (FBPS)** supports employer-paid benefits such as:

- Payroll taxes.
- Unemployment insurance.
- Workers' compensation.
- Medical, dental, vision, life, or disability insurance.
- Pension or retirement contributions.

The documentation must identify:

Detail	Requirement
Benefit	Type of employer-paid benefit
Carrier/Payee	Insurance carrier, payroll provider, pension provider, etc.
Employee/Position	Person or approved position receiving the benefit
Coverage	Applicable period
Methodology	Rate, allocation, or actual-cost calculation
Amount Paid	Total organizational payment
CDBG Share	Portion attributable to CDBG-funded compensation
Payment	Check, ACH/EFT, and payment date

Claims are generally based on the date the benefit is paid. A prepaid benefit must be prorated to the appropriate Agreement and reporting period.

Prepaid Fringe Benefits. When an employer-paid fringe benefit is paid in advance and the payment covers more than one reporting period, the Subrecipient may claim only the portion attributable to the reporting period being reimbursed. The remaining prepaid amount must be claimed in the applicable future reporting period(s), even though the full payment was made earlier.

For example, if a quarterly insurance premium is paid in June and covers June through August, the June RFR may include only the portion attributable to June. The portions attributable to July and August must be claimed in the July and August RFRs, respectively, with documentation showing the original payment and the proration calculation.

This also applies at fiscal year-end. A prepaid fringe-benefit cost paid before June 30 may not be fully claimed in the June RFR when part of the coverage applies to a later reporting period.

TIP: Claim prepaid benefits by coverage period, not payment month.
When one payment covers multiple months, allocate the cost across those months and claim only the portion applicable to each reporting period. Keep the original invoice, proof of payment, coverage dates, and proration calculation with the applicable RFR documentation.

Use the applicable **List of Expenditures** as the cover sheet when required by the City and explain the allocation methodology in the comments.

Administrative Indirect Overhead Calculation

When indirect costs are authorized, complete the **Administrative Indirect Overhead Calculation Form**. The claim must:

- Use the approved federally negotiated indirect cost rate, approved Cost Allocation Plan, or an authorized de minimis rate of up to 15 percent of Modified Total Direct Costs (MTDC), as applicable.
- Apply the rate to the appropriate cost base.
- Not exceed the approved rate or budgeted amount.
- Exclude costs already claimed directly.

A change in an approved indirect-cost rate must be supported by applicable documentation and provided to the City before the revised rate is used when required.

List of Expenditures

The **List of Expenditures** serves as the applicable cover sheet for groups of non-personnel costs. For each transaction, identify:

- Vendor.
- Description of the item or service.
- Check number or ACH/EFT reference.

- Date paid.
- Amount paid.
- Amount claimed.
- Explanation of any allocation, proration, credit, or adjustment.

Proof of Payment

Each reimbursement request must demonstrate that the cost was paid from the Subrecipient's organizational account. Acceptable documentation may include:

- Canceled check or check image.
- Bank statement showing the cleared check.
- ACH/EFT confirmation that can be traced to the organizational bank account.
- Bank statement showing the electronic transaction.
- Another City-approved payment record.

Clearly identify the applicable transaction.

An invoice marked **"paid"** is not sufficient by itself to demonstrate payment clearance.

Uncleared Payments and Check Reconciliation

When the applicable bank statement is not yet available and the City permits reconciliation of an uncleared payment, use the **Bank Statement/Check Reconciliation Form**. The form must identify:

- Budget line.
- Check number or ACH/EFT transaction.
- Transaction date.
- Amount.
- Related invoice.

Carry forward any uncleared transactions from the previous reconciliation until clearance is documented.

Under the City's reimbursement procedures, a payment that remains uncleared for **two (2) months following the RFR** may be disallowed.

E. Documentation for Specific Cost Types

The following identifies common supporting-document requirements. The City may request additional documentation when necessary to determine eligibility.

Cost Type	Minimum Documentation
Personnel	PES, time records, payroll register, allocation, proof of payment

Fringe Benefits	FBPS, payroll/carrier documentation, allocation, proof of payment
Consultants/Subcontractors	Fully signed contract, applicable procurement record, detailed invoice, deliverables, proof of payment
Supplies	Itemized invoice, delivery record when applicable, proof of payment
Equipment	Invoice, procurement documentation when applicable, delivery, proof of payment, property record when required
Rent/Utilities	Lease or invoice, applicable allocation, coverage period, proof of payment
Mileage	Project purpose, From/To locations, miles, applicable rate, calculation, supporting receipts when required. Mileage should be submitted in the reporting period in which the travel occurred
Online Purchases	Itemized order/invoice, proof of payment, confirmation and date of receipt
Prepaid/Periodic Costs	Full invoice, coverage period, proration calculation, proof of payment
Printing/Publications	Invoice, proof of payment, copy of material with required CDBG funding acknowledgment
Workshops/Classes	Applicable attendance record showing title, date, time, location, and participants; agenda or syllabus; and copies of materials distributed to participants
Client-Use Items	Invoice, proof of payment, distribution or usage records
Construction	See the NCIP and Construction Addendum

Consultant and Subcontractor Invoices

Invoices must provide enough detail to establish the actual CDBG-funded work performed.

General descriptions such as **"consulting services," "professional services,"** or **"project support"** are insufficient.

When applicable, invoices must identify:

- Work performed.
- Date of service.
- Hours.
- Rate.
- Deliverable.
- Amount billed.

The fully signed consultant or subcontractor contract must be uploaded to ED Grants before related costs are claimed.

Client-Use Supplies

For items distributed to and retained by an individual client, maintain a distribution record showing:

- Client name or approved identifier.

- Distribution date.
- Item provided.

These costs are claimed according to applicable City instructions based on distribution rather than simply the original purchase date. Examples include transit passes and work tools.

For supplies used generally by clients rather than retained by one individual, maintain records of:

- Quantity distributed or used.
- Date.
- Location.
- Project purpose.

Individual distribution lists are not necessarily required for common-use items such as hygiene supplies, meals, or program materials.

Transit passes should not be purchased in quantities that substantially exceed reasonably anticipated distribution. Passes purchased earlier but distributed during the current Agreement period may require additional explanation demonstrating that the purchase and distribution occurred within a reasonable timeframe.

Food purchased for meal-delivery programs or food-bank activities should be charged to the appropriate **Direct Program Delivery** budget line rather than a general Supplies line when required by the approved budget.

F. Disallowed Costs and Resubmissions

The City may disallow all or part of a reimbursement request when a cost is ineligible or the documentation is insufficient.

Common reasons include:

Documentation Issues	Cost/Timing Issues	Compliance Issues
Missing documentation	Ineligible expenditure	Required approval not on file
Unreadable documents	Calculation error	Exemption not approved
Missing payment clearance	Duplicate claim	Incorrect budget line
Missing signature	Incorrect reporting period	Cost outside approved project
Documentation does not support amount	Cost outside Agreement period	Procurement or other requirement not satisfied

Correctable Disallowances

A cost disallowed because of a correctable documentation issue may generally be resubmitted **with the immediately following RFR** when the City identifies it as eligible for resubmission.

For example, an eligible amount disallowed from the March RFR must generally be corrected and included with the April RFR. The resubmission must:

1. Identify the prior reporting period.

2. Identify the budget line and amount.
3. Explain why the cost was disallowed.
4. Explain how the issue was corrected.
5. Include the revised supporting documentation.

The amount resubmitted may not exceed the original amount disallowed.

A resubmission will not be considered when:

- More than one reporting period has passed since the disallowance.
- The underlying cost is ineligible.
- The Subrecipient voluntarily withheld or disallowed a contractor or consultant cost and later changed its determination.
- The cost is a previously unreported or "found" expenditure.
- The corrected documentation does not resolve the reason for disallowance.
- The cost was disallowed from the final RFR.

TIP: Resolve issues before the final RFR.
Correct documentation problems and eligible prior disallowances as early as possible. Costs disallowed from the final RFR cannot be resubmitted.

G. Final Reimbursement

The final RFR must include all remaining eligible costs for the Agreement period. Before submitting, the Subrecipient must:

- Reconcile expenditures to the approved budget.
- Reconcile the RFR to the General Ledger.
- Confirm that all remaining costs have been included.
- Resolve earlier correctable disallowances.
- Submit all required documentation.
- Identify the RFR as the final payment.
- Coordinate the RFR with the applicable Year-End or Closeout Report.

For projects ending June 30, the standard final RFR deadline is **July 15**.

The City may authorize additional time, but no later than **July 25**, to accommodate final June personnel costs when appropriate.

Eligible personnel costs for work performed through the Agreement termination date may be included when payroll is paid shortly after the Agreement ends, provided the Subrecipient submits documentation showing the applicable work period, actual CDBG hours, payroll amount, payment date, and required proof of payment.

Amounts disallowed from the **final RFR cannot be resubmitted**. Final reimbursement will be reduced by the amount of any final disallowance.

H. City Review and Payment

The City reviews each RFR for timeliness, completeness, consistency with the MPR, Scope and budget compliance, Agreement-period eligibility, payment by the Subrecipient, reasonableness, allocation, and sufficient supporting documentation.

The City may request clarification, additional source records, or corrected forms before approving a cost.

When a complete RFR and supporting documentation are submitted, the City generally attempts to process reimbursement within **thirty (30) calendar days**. Late, incomplete, returned, or corrected RFRs may require additional processing time.

After payment is processed, ED Grants provides notification to the applicable Subrecipient representative.

The Subrecipient must reconcile the City payment to:

Approved RFR → City payment → Bank deposit → General Ledger

Payment does not waive the City's right to subsequently review, question, disallow, or recover an ineligible or unsupported cost.

SECTION VII: Financial Management and Internal Controls

The Subrecipient must maintain financial management and internal control systems that accurately account for CDBG activity, safeguard public funds and property, support required financial reporting, and allow each transaction to be traced from the original source record through the accounting system and applicable City report.

These requirements apply whether financial functions are performed internally or through an outside accountant, payroll provider, fiscal agent, or other service provider. The Subrecipient remains responsible for the accuracy, availability, security, and compliance of its financial records.

Detailed requirements for **cost eligibility, Requests for Reimbursement, City RFR forms, supporting documentation, proof of payment, and disallowances** are contained in **Section VI: Requesting Reimbursement**.

Financial Management at a Glance

Requirement	What It Means
Track projects separately	Each CDBG project and funding source must be identifiable
Maintain an audit trail	Transactions must trace from source records to accounting records and City reports
Separate duties	No one person should control every phase of a significant transaction
Reconcile monthly	Bank, ledger, payroll, budget, and applicable program-income records must agree
Allocate shared costs	Charge only the portion that benefits the CDBG project
Protect assets	Safeguard cash, banking information, records, equipment, and property
Maintain written procedures	Financial practices must be documented and consistently followed
Correct issues promptly	Errors, unsupported activity, and compliance deficiencies must be investigated and resolved

A. Financial Management and Internal Controls

Minimum Financial Management Standards

The Subrecipient's financial system must be capable of:

- Identifying the CDBG award and City-funded project.
- Recording all project receipts and expenditures.
- Tracking the source and use of funds.
- Separating CDBG activity from other projects and funding sources.
- Comparing actual expenditures with the approved budget.

- Tracking obligations and remaining balances.
- Supporting transactions with source documentation.
- Tracking applicable program income and property.
- Producing accurate financial reports.
- Supporting City, HUD, monitoring, and audit review.

The accounting system must be secure and regularly backed up. Access must be limited to authorized staff according to their assigned responsibilities.

Written Financial Procedures

The Subrecipient must maintain current written financial-management procedures appropriate to its organizational size, staffing, and operations.

Area	Procedures Must Address, as Applicable
Accounting	Accounting method, chart of accounts, ledgers, journals
Cash Receipts	Receipt, endorsement, deposit, and recording
Payments	Purchasing, accounts payable, checks, ACH/EFT
Payroll	Timekeeping, processing, allocation, taxes, benefits
Cost Allocation	Shared costs and allocation methodology
Reconciliation	Bank, ledger, payroll, and project reconciliation
Petty Cash	Approved petty-cash voucher, signature of the person receiving the funds, authorized petty-cash approval, itemized receipts, and applicable payment/accounting support.
Property	Acquisition, tagging, inventory, maintenance, disposition
Program Income	Receipt, use, accounting, and reporting
Systems/Security	Access permissions, banking credentials, backups
Records	Storage, retention, retrieval, and audit access
Error Prevention	Identification, correction, and escalation of errors or misuse

The City may request these policies and procedures during Agreement execution, monitoring, audit, or other compliance review.

Separation of Duties

The Subrecipient must divide financial responsibilities so that no individual controls every phase of a significant transaction.

When feasible, separate responsibility for:

- Authorizing purchases.
- Ordering goods or services.
- Receiving purchased items.
- Reviewing invoices.
- Preparing payments.

- Approving payments.
- Recording transactions.
- Receiving cash.
- Preparing deposits.
- Reconciling bank accounts.
- Maintaining custody of property.
- Reviewing financial reports.

Cash handling. A person receiving cash should not also prepare payments, maintain the related accounting records, or reconcile the bank account.

Payroll. Staff maintaining payroll records should not independently approve the same employee's time or control the entire payroll-payment process.

Bank reconciliation. The preparer should be independent of receipt/deposit activity and payment authorization or preparation.

TIP: Separate the transaction from the review.
The same person should not initiate, approve, record, and reconcile a significant transaction. When staffing is limited, document an independent review by management or the governing board.

Small Organizations

When staffing makes full separation impractical, establish documented compensating controls, such as:

- Additional review by the Executive Director, Treasurer, or another independent board member.
- Two-person payment approval.
- Independent bank-statement review.
- Periodic source-document review.
- Restricted system access.
- Documented management review of monthly financial reports.

When practical, sensitive financial responsibilities should also be periodically rotated or independently reviewed.

Authorization and Approval

The Subrecipient must establish written authority identifying who may:

Function	Control
Approve purchases/contracts	Authorized position and applicable limits
Approve checks/electronic payments	Authorized signer/approver
Approve payroll/time	Supervisor or other authorized reviewer
Approve journal entries	Authorized financial official
Submit City financial reports	Authorized representative
Establish/change vendors	Restricted authorized personnel

Change banking instructions	Restricted authorization and verification
Modify system access	Authorized administrator

Checks may not be payable to **"Cash," "Bearer,"** or another unidentified person or entity.

Blank checks, electronic-payment credentials, accounting access, and other sensitive financial instruments must be secured from unauthorized use.

B. Accounting Records and Audit Trail

Detailed accounting records must be maintained for every transaction related to the CDBG project.

Electronic accounting systems are acceptable, provided that the records remain complete, secure, readable, and accessible throughout the required retention period.

Required Accounting Records

Record	Purpose
General Ledger	Records all financial activity
Cash Receipts Register	Records project-related receipts
Cash Disbursements Register	Records organizational payments
Cost Control/Subsidiary Ledger	Tracks expenditures by project, funding source, and budget category
General Journal	Records adjusting, correcting, accrual, and closing entries
Payroll Records	Supports compensation, deductions, taxes, and benefits
Bank Reconciliations	Reconciles bank activity to accounting records
Program Income Records	Tracks applicable project-generated revenue
Property Records	Tracks applicable equipment and property

General Ledger

The General Ledger must record all project-related financial transactions.

Each transaction should identify, as applicable:

- Date.
- Account.
- Project and funding source.
- Budget category.
- Payee or payer.
- Description.
- Amount.
- Check, ACH/EFT, invoice, or journal-entry number.

- Reference to supporting documentation.

When accounting is performed internally, transactions should be posted at least weekly. When an outside accountant or service is used, records must be posted at least monthly and in time to support required City reporting.

Separate Project Tracking

Maintain separate accounting records for each City-funded project and funding source.

The records must distinguish:

- CDBG funds.
- Other City funding.
- Other federal, state, local, or private funding.
- Subrecipient contributions.
- In-kind contributions when applicable.
- Program income.
- Ineligible or disallowed costs.
- Other project resources.

Separate tracking may be established through accounting-system coding or supplemental ledgers that reconcile to the General Ledger.

Funds may not be commingled in a manner that prevents the City from identifying the amount, purpose, funding source, or supporting documentation for an individual transaction.

Record	Minimum Control
Cash Receipts	Use preprinted and prenumbered or otherwise controlled receipt records; immediately restrictively endorse checks and other negotiable items; record each receipt individually; deposit cash, checks, and other negotiable items no later than the following business day; secure funds and records; conduct periodic cash counts by a person independent of cash handling and payment preparation; and reconcile the register monthly to the General Ledger.
Cash Disbursements	Record each organizational payment by payee, date, amount, project, budget category, transaction number, and related source documentation and reconcile monthly to the General Ledger.
General Journal	Number and document correcting, adjusting, accrual, and closing entries; identify affected accounts and projects; explain the transaction; retain support; and obtain authorized approval.

Audit Trail

The accounting system must allow a reviewer to trace:

Source document → Approval → Payment → Bank activity → General Ledger → Project ledger → City report

The same trail must work in reverse from an amount reported to the City back to the original records.

TIP: Make every City-reported amount traceable.
A reviewer should be able to start with an RFR or financial report and trace the amount back through the General Ledger, bank activity, payment record, approval, and original source document.

C. Payroll and Timekeeping Controls

Personnel costs must be supported by actual work performed, approved time records, payroll records, and appropriate allocation among funding sources.

See **Section VI** for the Personnel Expense Schedule, Fringe Benefit Payment Schedule, and documentation required when personnel costs are claimed through an RFR.

Time and Attendance Records

Maintain an individual time and attendance record for each employee whose salary or wages are charged in whole or in part to CDBG.

Each record must identify:

Required Information	
Pay period	Employee name or identification number
Position title	Hours worked each day
Total hours worked	Actual CDBG hours
Other funding sources charged	Employee approval
Supervisor approval	

Paper time records must be signed by the employee and supervisor.

An automated system may substitute documented electronic submission and approval. The automated timekeeping process must be described in the Subrecipient's written financial procedures and be available for City review.

The Executive Officer's time record must be reviewed and approved by an appropriate member or designee of the governing board.

Fractional Positions

When an employee's time is charged to more than one funding source, maintain actual daily hours by funding source.

Budgeted percentages, scheduled hours, or estimates may not replace actual time records.

The allocation must support:

- Daily hours.
- Total pay-period hours.
- CDBG-funded hours.
- Other funding sources charged.
- Gross compensation.
- CDBG-funded compensation.

Failure to maintain actual labor records by funding source may result in disallowance of salary and related fringe-benefit costs.

TIP: Use actual time, not the budget percentage.
A position budgeted at 50 percent CDBG does not automatically justify charging 50 percent of each payroll. The amount claimed must be supported by actual CDBG hours worked.

Payroll Records

Payroll records must document:

- Employee.
- Position.
- Pay period.
- Hours.
- Gross pay.
- Payroll deductions.
- Employer-paid taxes and benefits.
- Net pay.
- Check/direct-deposit information.
- Payment date.
- Funding sources charged.

Payroll records must reconcile to approved time records, applicable payroll registers, the General Ledger, bank activity, and the amount reported to the City.

Payroll Administration

The Subrecipient must maintain required employee tax and withholding documentation, including applicable **IRS Form W-4** records, and comply with applicable payroll tax, Social Security, unemployment, disability, workers' compensation, and other employer obligations.

Staff responsible for maintaining payroll records should not independently approve the underlying time records or distribute the related payments.

D. Cost Allocation and Indirect Costs

Shared Costs

When a cost benefits more than one project, funding source, location, department, or organizational activity, the Subrecipient may charge CDBG only its reasonable share.

Maintain a written **Cost Allocation Plan** when shared costs are charged.

Element	Requirement
Shared Cost	Identify the expenditure being allocated
Allocation Basis	Explain the basis used
Rationale	Demonstrate how the basis reflects benefit received
Source Records	Identify records supporting the calculation
Consistency	Apply the method consistently
Update	Revise when operations or funding relationships materially change

Allocation bases may include:

- Actual employee hours.
- Number of employees.
- Number of participants or units of service.
- Square footage.
- Actual usage.
- Direct expenditures.
- Another reasonable and supportable measure.

Budgeted percentages may not replace actual source records when actual usage or effort can reasonably be measured.

Allocation worksheets must reconcile to the General Ledger and applicable City reimbursement records.

TIP: Choose an allocation method that reflects actual benefit.
Square footage may work for rent, while employee hours may work better for shared staff costs. Use a reasonable basis that can be supported with records and applied consistently.

Indirect Costs

Indirect costs may be charged only when authorized in the approved budget and supported through an allowable methodology. Maintain documentation supporting the applicable:

- Federally negotiated indirect cost rate.
- Approved Cost Allocation Plan. or
- Authorized de minimis methodology.

The same expenditure may not be charged both directly and through an indirect-cost rate.

See **Section VI** for the City's Administrative Indirect Overhead Calculation Form and RFR documentation requirements.

E. Cash, Banking, and Payment Controls

Organizational Banking

The Subrecipient must use organizational financial accounts for project receipts and payments. Financial procedures must identify:

- Authorized signers.
- Staff authorized to initiate electronic payments.
- Payment-approval limits.
- Required supporting documentation.
- Procedures for changing vendor or banking information.
- Security of checks and banking credentials.
- Procedures for identifying unusual or unauthorized transactions.

Personal accounts may not be used for CDBG-funded transactions.

Check Controls

When checks are used, they should be preprinted and prenumbered. Each check must:

- Be supported by an approved expenditure.
- Identify the payee.
- Be signed by an authorized official.
- Be countersigned by a second authorized official or governing-board representative.
- Be recorded in the Cash Disbursements Register.

Checks may not be signed in advance or issued without a completed payee and amount.

Voided checks must be clearly marked and retained.

Electronic Payments

ACH/EFT and other electronic payments must have controls comparable to check payments.

Controls should include:

- Separate initiation and approval when feasible.
- Verification of vendor and banking information.
- Documentation of purpose and amount.
- Restricted access.
- Confirmation of the completed transaction.
- Independent review through bank reconciliation.

Bank Reconciliation

All organizational bank accounts supporting project activity must be reconciled monthly.

The reconciliation must account for:

Item	
Bank balance	General Ledger balance

Outstanding checks	Outstanding electronic payments
Deposits in transit	Bank adjustments
Unusual or stale items	Reconciled balance

The reconciliation must identify the preparer, reviewer, and approval date.

Bank statements should be delivered unopened, or electronically made available, to a person independent of receipt/deposit activity and payment preparation when feasible.

Unresolved differences must be investigated and corrected promptly.

TIP: Investigate differences rather than carrying them forward.
Unexplained reconciling items, stale checks, duplicate transactions, or unusual withdrawals should be researched and resolved promptly rather than repeatedly appearing on monthly reconciliations.

Governing-Board Review

The Subrecipient must provide its governing board with the applicable **Treasurer's Report, monthly financial statements, and bank-reconciliation information for review and approval**.

Retain the board records demonstrating the review for City monitoring and audit.

Petty Cash

Petty cash may be used for CDBG costs only when the Subrecipient's written petty-cash procedures have been included in its financial-management procedures and **accepted by the City**.

The written procedures must address:

- Authorized fund amount.
- Custodian.
- Transaction limits.
- Approvals.
- Voucher controls.
- Receipt requirements.
- Replenishment.
- Security.
- Reconciliation.
- Independent cash counts.

Petty-cash expenses must be submitted for the reporting period in which the transaction occurred. Accumulating and later bundling petty-cash receipts for reimbursement is not allowed. Petty cash may not be used to avoid procurement, approval, or documentation requirements.

See **Section VI** for supporting documentation required when petty-cash costs are claimed.

F. Equipment and Property Controls

The Subrecipient must safeguard property purchased or improved with CDBG funds and use it for the approved project purpose.

Equipment and Property Records

For federal purposes, equipment generally means tangible personal property with a useful life of more than one year and a per-unit acquisition cost equal to or greater than the lower of the Subrecipient's capitalization level or the applicable federal equipment threshold.

The City may impose tagging, inventory, or reporting requirements at a lower amount. The Subrecipient must follow the current City property form and instructions.

Maintain property records identifying:

Record	Information
Description	Item and identifying characteristics
Identification	Serial number or other unique identifier
City Tracking	City property tag, when assigned
Funding	Funding source and applicable federal share
Ownership	Titleholder
Acquisition	Date and cost
Location	Current location
Status	Use and condition
Disposition	Method, date, and proceeds when applicable

When City property tagging is required, the Project Manager will coordinate assignment of the applicable tag.

Annual Inventory

Conduct a physical sight inventory of applicable property at least annually. Reconcile the inventory to:

- Property records.
- Current location and condition.
- Accounting records.
- Applicable City property reports.

TIP: Verify the item, not just the spreadsheet.
An annual inventory should confirm that the property physically exists, is in the recorded location, remains in usable condition, and is still being used for the approved purpose.

Loss, Theft, or Damage

- **Stolen or vandalized property.** Notify the San Diego Police Department and Project Manager immediately. Submit the police report to the City within **fourteen (14) business days after filing**.
- **Missing property.** Notify the Project Manager and submit the required missing-property report within **five (5) business days after discovery**.
- **Damaged or obsolete property.** Contact the Project Manager before taking disposal action.

Disposition

The Subrecipient may not sell, donate, transfer, discard, trade, or otherwise dispose of CDBG-funded property without required City authorization.

When disposition through sale is authorized, appropriate sales procedures must be used and proceeds must be handled in accordance with applicable program-income requirements.

Real-property and NCIP requirements are addressed further in the **NCIP and Construction Addendum**.

G. Program Income and Other Project Revenue

Program income is generally gross income directly generated from the use of CDBG funds.

The Subrecipient must report **all potentially applicable income to the City regardless of amount** so the City can determine the appropriate treatment.

TIP: Report potential program income even when you are unsure how it should be treated. Do not make the determination independently. Report the revenue to the Project Manager so the City can determine whether it is program income and how it must be used or returned.

Potential Program Income

Examples may include:

- Proceeds from the sale or lease of CDBG-assisted property.
- Proceeds from the sale or lease of CDBG-funded equipment.
- Income from use or rental of CDBG-assisted property.
- Principal and interest from CDBG-funded loans.
- Interest earned on program income pending disposition.
- Certain other income directly generated from the CDBG-assisted activity.

The Subrecipient must contact the Project Manager before establishing fees, rental arrangements, loan repayments, or other revenue-generating activities connected to the project.

Required Records

Separately track:

Income Record	
Source	Date received
Amount	Payer
Related activity/property	Receipt/reference number
Deposit date	Bank documentation
General Ledger account	Expenditure or use

Remaining balance	Amount returned to City

When clients are charged fees, provide the City with the applicable **Client Fee Schedule** and maintain records of amounts collected.

Program income and other project-generated revenue may not be combined with unrelated organizational income in a manner that prevents separate identification.

Client-Generated Income Form

When required by the City, maintain the information necessary to complete the **Client-Generated Income Form**, including:

- Total income collected to date.
- Income collected during the applicable Agreement period.
- Cumulative expenditures made using the income.
- Applicable line-item uses.

See Section VI for reimbursement reporting associated with the form.

Use and Return of Income

The City will determine whether project-generated income must be returned to the City or may be retained for an approved CDBG purpose.

When retention is authorized:

- Use the funds only for approved CDBG activities.
- Apply applicable eligibility, National Objective, procurement, documentation, and reporting requirements.
- Maintain complete records of all receipts and uses.
- Report expenditures and balances as directed by the City.

At Agreement expiration, report remaining balances and return funds as instructed by the City unless continued use is expressly authorized.

H. Financial Year-End and Closeout

Before year-end or closeout, the Subrecipient must reconcile cumulative RFR reimbursements to the General Ledger, final expenditures to the approved budget, applicable program income, property records, and all project funding sources. Outstanding fiscal or audit issues must also be identified and addressed.

See **Section X: Year-End Reporting and Project Closeout** and **Attachment J: Closeout/Year-End Report Guide** for the applicable process, forms, and submission requirements.

I. Audits and Financial Reviews

The Subrecipient must cooperate with audits, fiscal monitoring, financial reviews, and other authorized examinations conducted by the City, HUD, independent auditors, or other authorized entities.

Single Audit

A non-federal entity that meets the applicable federal expenditure threshold must obtain a Single Audit or, when permitted, a program-specific audit in accordance with **2 CFR Part 200, Subpart F**.

The applicable threshold is based on total federal expenditures across the organization, including federal funds received directly and through pass-through entities.

The Subrecipient must:

- Determine annually whether the threshold is met.
- Complete the required audit.
- Submit it to the Federal Audit Clearinghouse within the applicable deadline.
- Identify the anticipated completion date in ED Grants when required.
- Provide the completed audit to the City.

The federal filing deadline is generally the earlier of:

- **30 calendar days after receipt of the auditor's report**, or
- **Nine months after the end of the audit period**.

TIP: The Single Audit threshold applies organization-wide.
Determine whether the organization meets the federal threshold based on total federal awards expended during its fiscal year, not only the amount of the City CDBG award.

Audited Financial Statements

Regardless of whether a Single Audit is required, the Subrecipient must provide audited financial statements prepared by an independent Certified Public Accountant when required by the Agreement.

The Subrecipient must:

- Identify the anticipated completion date in ED Grants when required.
- Provide the statements to the City within **30 calendar days after completion** by the independent accountant.
- Upload them to the applicable Year-End or Closeout Report as instructed.

Other Audits During the Agreement

An applicable third-party audit completed during the Agreement period must be provided to the City within **thirty (30) calendar days after completion** when required by the Agreement.

The City may review the audit and related documentation.

Unless the City establishes a different deadline, requested supporting audit documentation must be provided within **fourteen (14) calendar days**.

Audit Findings and Corrective Action

Audit findings or financial-review deficiencies affecting the CDBG project must be reported and resolved in accordance with **Section IX: Monitoring and Compliance**, including any corrective action required by the City.

SECTION VIII: Procurement and Contract Management

APPLIES TO: *CDBG-funded purchases of goods or services, including contracts with consultants, subcontractors, and other service providers.*

NCIP PROJECTS: *See the NCIP and Construction Addendum for construction bidding, bonding, prevailing wage, Section 3, Build America, Buy America, labor compliance, and other construction-specific procurement requirements.*

When CDBG funds are used to purchase goods or services, the Subrecipient must follow applicable procurement requirements established by HUD, the City, the Agreement, this Manual, and the Subrecipient's written procurement policies. These requirements promote full and open competition, reasonable pricing, fair contractor selection, and appropriate stewardship of federal funds.

The required procurement method generally depends on the **total anticipated value of the purchase or contract**. While Public Services and CED projects may not routinely make purchases requiring competitive procurement, these requirements apply whenever CDBG funds are used to procure goods or services, including contracts with consultants, subcontractors, or other service providers.

Procurement at a Glance

- Determine the procurement method using the **total anticipated value** of the related purchase or contract.
- Include all funding sources, options, phases, renewals, and reasonably anticipated amendments when determining value.
- Do not divide related purchases or contracts to avoid a procurement threshold, governing-board approval, City review, or another requirement.
- Follow the most restrictive applicable federal, City, Agreement, or organizational requirement.
- Complete required procurement and obtain required approvals **before** committing CDBG funds or allowing work to begin.
- Maintain records sufficient to document the complete history of the procurement.
- Construction-specific requirements are addressed in the **NCIP and Construction Addendum**.

The Subrecipient remains responsible for procurement compliance when a consultant, fiscal agent, or other party assists with the process. City review does not transfer that responsibility or guarantee reimbursement of the resulting cost.

A. Procurement Standards and Planning

Governing Requirements

The Subrecipient must comply with:

- **2 CFR 200.318 through 200.327**.
- Applicable provisions of **San Diego Municipal Code Chapter 2, Article 2, Divisions 30 through 36**.
- The Subrecipient's current written procurement policy.
- The CDBG Agreement and this Operating Manual.
- Project-specific written City instructions.

When multiple requirements apply, the Subrecipient must follow the more restrictive requirement. If requirements appear to conflict, the Subrecipient must obtain written City direction before proceeding. Federal requirements control to the extent required by federal law.

An alternative procedure that differs from the Agreement or this Manual requires prior written City approval through the **Agreement/Operating Manual Exemption Request Form**.

Written Procurement Policy

The Subrecipient must maintain and consistently follow a current written procurement policy that addresses, as applicable:

Policy Area	Examples
Authority	Purchasing authority and approval limits
Competition	Procurement methods and dollar thresholds
Ethics	Conflicts of interest and standards of conduct
Selection	Contractor responsibility and eligibility
Exceptions	Noncompetitive procurement
Approvals	Governing-board and other required approvals
Disputes	Bid or proposal protests
Administration	Contract monitoring and amendments
Records	Procurement documentation and retention

The Subrecipient must provide its current procurement policy to the City when required during Agreement execution, monitoring, or through written City instructions.

Before Beginning a Procurement

1. **Confirm eligibility.** Verify that the purchase supports the approved Scope of Work and budget.
2. **Determine value and method.** Calculate the total anticipated value, including applicable funding sources, options, renewals, phases, and amendments, and identify the required procurement method.
3. **Define the need.** Prepare a clear Scope of Work or specifications and identify applicable federal, City, insurance, and contract requirements.
4. **Review conflicts and approvals.** Identify actual, potential, or apparent conflicts and determine required governing-board or City approvals.
5. **Establish the file.** Maintain the procurement record as decisions are made.

The Subrecipient must avoid unnecessary or duplicative purchases and should consider consolidation, appropriate separation of components, leasing versus purchasing, or an allowable cooperative procurement when these approaches provide better value.

TIP: Determine the total value before choosing the procurement method.
Include reasonably anticipated options, renewals, phases, amendments, and all funding sources. Do not evaluate each invoice or funding source separately to avoid a higher procurement threshold.

Full and Open Competition

All procurement transactions must provide full and open competition consistent with **2 CFR 200.319**.

- **Specifications.** The Scope of Work or specifications must clearly and accurately describe the goods or services needed without unnecessarily restricting competition.
- **Brand names.** When a brand name is referenced, an equivalent product must be permitted unless another approach is appropriately justified.
- **Equal information.** All prospective respondents must receive the same material information. Changes to a formal solicitation must be communicated consistently through a written addendum.
- **Unfair advantage.** A person or firm that develops or drafts specifications, requirements, a Scope of Work, Request for Proposals, or Invitation for Bids may not compete for the resulting contract when that involvement creates an unfair competitive advantage.

TIP: Do not let a preferred vendor shape the solicitation.
Specifications and evaluation criteria should be developed around the project's needs, not around the qualifications or product of a vendor the organization already expects to select.

Conflicts of Interest

Procurement is subject to the general conflict-of-interest requirements in **Section III.F** and 2 CFR 200.318(c). An actual, potential, or apparent conflict involving a person participating in the procurement must be disclosed to the Project Manager before that person participates further. Maintain applicable disclosures, recusals, governing-board records, and written City determinations.

B. Selecting the Procurement Method

The procurement method must be based on the **total anticipated value** of the related purchase or contract. A lower threshold established by the Subrecipient's procurement policy or another applicable requirement must be followed.

Total Anticipated Value	Minimum Procurement Method
Up to $15,000	**Micro-purchase.** Competitive quotations are not required unless required by the Subrecipient's policy. The Subrecipient must document that the price is reasonable.
More than $15,000 to $25,000	**Simplified acquisition.** Obtain price or rate quotations from an adequate number of qualified sources.
More than $25,000 to $50,000	Seek competitive prices orally or in writing. Obtain approval from the **full governing board** and document the action in the meeting minutes.
More than $50,000 to $150,000	Solicit written quotations from at least **five qualified sources**. Obtain approval from the **full governing board** and document the action in the meeting minutes.
More than $150,000	Conduct a **formal competitive procurement**. Public advertisement, full governing-board approval, and required City review apply.
Noncompetitive procurement at any amount above an allowable micro-purchase	Document an allowable basis under 2 CFR 200.320(c) and obtain required prior written City approval.

TIP: The threshold tells you the minimum process, not necessarily the only requirement.
A lower organizational threshold, governing-board requirement, City approval, or other applicable rule may require additional steps.

Micro-Purchases

For a micro-purchase, the Subrecipient must:

- Confirm that the purchase is eligible and budgeted.
- Determine and document that the price is reasonable.
- Complete applicable conflict-of-interest and contractor-eligibility reviews.
- Obtain required internal approval.
- Retain the purchasing record.

Competitive quotations are not federally required for a properly administered micro-purchase. To the extent practical, micro-purchases should be distributed equitably among qualified suppliers.

Simplified Acquisitions

For simplified acquisitions, each source must receive the same description of the goods or services.

The procurement record must show:

Required Record	What to Document
Sources	Vendors or contractors contacted
Solicitation	Date, method of contact, and information provided
Responses	Quotations received and sources that did not respond
Comparison	Prices and material terms compared
Selection	Basis for selecting the vendor or contractor
Approval	Required governing-board action and meeting minutes

When oral quotations are permitted, the Subrecipient must create a written record identifying the vendor, date, person contacted, quoted price, and material terms.

Soliciting the required number of sources does not require receiving that number of responses. The Subrecipient must document a genuine effort to obtain competition and contact the Project Manager before proceeding when competition is inadequate.

TIP: Document the vendors that did not respond.
Competition is demonstrated by a genuine effort to solicit qualified sources. Keep a record of who was contacted, when, and whether a response was received.

Formal Competitive Procurement

For procurements exceeding **$150,000**, the Subrecipient must conduct a formal competitive procurement appropriate to the goods or services being purchased.

Advertisement

The procurement must be advertised for a **minimum of five (5) business days**, beginning at least **ten (10) calendar days before proposals are due**.

The advertisement must include:

Advertisement Element	Minimum Information
Purchase	Brief and accurate description of the goods or services
Solicitation	Where and how the complete RFP may be obtained
Availability	Deadline, if any, for obtaining solicitation documents
Submission	Deadline after which responses will not be accepted

The advertisement and RFP must be submitted to the Project Manager for **review and written approval before publication**.

Request for Proposals

The RFP must contain enough information for qualified firms to understand the work, prepare a responsive proposal, and understand how proposals will be evaluated.

RFP Element	Minimum Requirement
Scope	Clear description of the goods or services, project location, and anticipated schedule
Qualifications	Minimum experience, capacity, licenses, or other requirements
Submission	Deadline, delivery method, packaging instructions, and contact person
Compliance	Applicable federal, City, insurance, and other requirements
Evaluation	Published criteria and their relative importance
Price	Explain how price or cost will be considered
Pre-Proposal Meeting	Date, time, location, and whether attendance is mandatory, when applicable
Award	Basis on which the successful proposer will be selected

The RFP may not specify a brand-name product without allowing an equivalent product unless otherwise appropriately justified.

Evaluation and Selection

- **Use published criteria.** Proposals must be evaluated only against the criteria stated in the RFP.
- **Assign weights.** Each evaluation criterion must have a stated weight or maximum point value.
- **Consider relevant factors.** Criteria may include technical competence, experience, references, financial and organizational capacity, ability to meet the schedule, proposed approach, and cost.
- **Document the review.** The evaluation committee must document scoring, interviews, clarifications, negotiations, reasons for rejection, and the selection recommendation.
- **Interview when appropriate.** Finalists for expert or professional services should be interviewed by the evaluation committee or governing board before final selection when appropriate.
- **Reject when justified.** A proposal may be rejected when it is technically unacceptable, materially nonresponsive, or its price is clearly unreasonable in comparison with other acceptable proposals. The basis for rejection must be documented.
- **Address inadequate competition.** If adequate competition is not obtained, the Subrecipient must contact the Project Manager before proceeding. The City may require the RFP to be revised and re-advertised.

- **Obtain board approval.** The full governing board must approve the selected contractor and contract amount. The action must be documented in the meeting minutes.
- **Complete City review.** After completing the formal procurement, the Subrecipient must provide the Project Manager with the requested proposals, evaluation records, governing-board documentation, and other procurement materials. The Subrecipient must also meet with the Project Manager to review the completed procurement process when required by the City.

TIP: Score only what was published.
Do not introduce a new evaluation factor after proposals are received. If a factor matters to the selection, it should appear in the solicitation and be applied consistently to all respondents.

The proposed contract must be submitted to the Project Manager for review and acceptance **before execution**.

NCIP Reminder: Formal construction bidding procedures, including Invitation for Bids requirements, bid openings, bonds, prevailing wages, DIR requirements, Section 3, and Notices to Proceed, are contained in the **NCIP and Construction Addendum**.

Noncompetitive Procurement

Except for a properly administered micro-purchase, noncompetitive procurement may be used only when an allowable condition under **2 CFR 200.320(c)** applies.

Allowable Basis	General Standard
Single source	Goods or services are available only from one source
Emergency or exigency	Public emergency or exigency does not permit delay caused by competition
City authorization	Subrecipient requests and receives written authorization to proceed noncompetitively
Inadequate competition	Competition is determined inadequate after solicitation of multiple sources

A preferred vendor, prior working relationship, convenience, inadequate advance planning, or receipt of only one response does not by itself justify a noncompetitive award.

Before proceeding, the Subrecipient must document:

- The goods or services needed.
- Proposed vendor or contractor.
- Total anticipated amount.
- Applicable justification.
- Prior efforts to obtain competition.

- Conflict-of-interest review.
- Contractor eligibility and debarment review.
- Support for price reasonableness.

The Subrecipient must obtain required written City approval **before executing the contract, authorizing work, or incurring costs** under the proposed noncompetitive procurement.

TIP: One response does not automatically mean sole source.
Before proceeding noncompetitively, document the solicitation effort and contact the Project Manager. The City may require additional outreach, re-solicitation, or another procurement method.

C. Before Award

Before making an award, the Subrecipient must confirm that the procurement and proposed contractor meet applicable requirements.

Contractor Responsibility Checklist

- ✓ Contractor submitted a responsive quotation or proposal.
- ✓ Contractor has the experience and capacity needed to perform the work.
- ✓ Required licenses and registrations are current.
- ✓ Required insurance can be provided.
- ✓ Contractor can meet the required schedule and performance expectations.
- ✓ Price is reasonable and adequately supported.
- ✓ Conflict-of-interest review is complete.
- ✓ Federal debarment and suspension review is complete.
- ✓ Required governing-board approval is documented.
- ✓ Required City review or approval is complete.

Price Reasonableness

The Subrecipient must document that the selected price is fair and reasonable.

Appropriate support may include:

- Competitive quotations or proposals.
- Published market or catalog prices.
- Recent prices paid for comparable goods or services.
- Prices paid by other organizations.
- Purchase history.
- An independent estimate.

- Other reliable market information.

For procurement transactions or contract modifications exceeding the applicable federal simplified acquisition threshold, the Subrecipient must complete the independent estimate and cost or price analysis required by **2 CFR 200.324**.

The City may require additional cost or price analysis for a lower-value procurement when necessary to establish cost reasonableness.

Cost-plus-a-percentage-of-cost and percentage-of-construction-cost contracting methods are prohibited. A time-and-materials contract may be used only when no other contract type is suitable, a ceiling price is established, and the Subrecipient provides the required level of oversight.

TIP: Competition and price reasonableness are related, but not identical.
Even when the required procurement process was followed, the file should still demonstrate that the selected price is fair and reasonable.

Debarment and Suspension

Before award, the Subrecipient must verify that the selected contractor and applicable principals, consultants, and subcontractors are not suspended, debarred, or otherwise excluded from participation in federally assisted activities.

- **SAM.gov review.** The Subrecipient must search SAM.gov and retain dated documentation of the search.
- **Inconclusive results.** When a search does not provide a sufficiently identifiable result, the Subrecipient must obtain any additional non-debarment certification required by the City.
- **Excluded parties.** A contract may not be awarded to a party that is suspended, debarred, or otherwise excluded under applicable federal requirements.

State DIR debarment and contractor-registration requirements applicable to construction and public works are addressed in the **NCIP and Construction Addendum**.

TIP: Check eligibility before award, not after the contract is signed.
Retain dated SAM.gov documentation and any additional City-required verification in the procurement file.

D. Procurement and Contract Records

Procurement File

The Subrecipient must maintain records sufficient to document the complete history of each procurement.

Record Category	Examples
Planning	Purchase request, Scope of Work, specifications, anticipated value
Method	Procurement method and rationale

Ethics	Conflict-of-interest disclosures and recusals
Competition	Solicitation, advertisements, outreach, quotations, proposals
Evaluation	Scoring, comparisons, interviews, clarifications, selection
Price	Price reasonableness or cost analysis
Eligibility	Responsibility review and debarment documentation
Approvals	Governing-board minutes and City approvals
Disputes	Protests, responses, and resolution
Contract	Fully signed contract and amendments

Protests and Disputes

The Subrecipient is responsible for resolving protests, disputes, claims, and other issues arising from its procurement.

Written procurement procedures must provide a fair and consistent process for receiving, reviewing, deciding, and documenting protests.

E. Consultant, Subcontractor, and Other Service Contracts

Contract Required

Required procurement must be completed before a consultant, subcontractor, or other service provider begins CDBG-funded work.

A written contract must be fully signed before CDBG-funded services are performed or related costs are claimed. The fully signed consultant or subcontractor contract must be uploaded to **ED Grants before related costs are submitted for reimbursement**.

The contract must be consistent with the procurement, selected response, approved CDBG Scope of Work and budget, governing-board approval, and required City approval.

TIP: No contract, no CDBG-funded work.
Complete the required procurement and execute the written agreement before services begin. Upload the fully signed contract to ED Grants before related costs are claimed.

Minimum Contract Requirements

Contract Element	Required Content
Scope and Deliverables	Specific CDBG-funded goods, services, deliverables, and performance expectations
Term	Contract start and end dates

Compensation	Maximum compensation, payment basis, rates, and CDBG-funded share when multiple funding sources are used
Invoices	Work performed, dates, hours or quantities when applicable, rates, and amounts billed
Records	Records access, retention, monitoring, and audit rights
Compliance	Applicable federal and City requirements
Termination	Either party may terminate with no more than 30 days' written notice unless another term is approved
Flow-Down	Applicable requirements passed to lower-tier subcontractors

CDBG-Funded Consultant and Subcontractor Costs

CDBG funds may not pay for:

- Grant-seeking or fundraising.
- General organizational administration unrelated to the approved project.
- General planning studies or assessments unrelated to the approved CDBG activity.
- Work that does not directly support the approved project during the Agreement period.

Independent contractors, including persons receiving an IRS Form 1099 rather than a W-2, must maintain a **City of San Diego Business Tax Certificate** when required under the San Diego Municipal Code.

Required Contract Provisions

Applicable contracts must include the provisions required by **2 CFR 200.327 and Appendix II to 2 CFR Part 200**, together with applicable requirements contained in the Agreement or provided by the City.

For PS and CED projects, these may include:

Requirement	General Purpose
Nondiscrimination	Applies applicable federal and City equal opportunity requirements
Conflict of Interest	Prohibits prohibited financial or personal interests
Debarment and Suspension	Prevents use of excluded contractors or subcontractors
Lobbying	Applies federal restrictions on use of award funds
Records	Provides access, retention, monitoring, and audit rights
Business Tax Certificate	Requires City registration when applicable

Living Wage	Applies City wage, benefit, notice, and recordkeeping requirements when applicable
Insurance	Establishes required coverage and indemnification
Termination and Remedies	Addresses breach, nonperformance, termination, and repayment
Flow-Down	Passes applicable requirements to lower-tier agreements

Required City clauses or forms may not be removed or materially revised without prior written City approval.

Construction contracts: See the **NCIP and Construction Addendum** for prevailing wage, bonding, Section 3, Build America, Buy America, labor standards, and other construction provisions.

F. Contract Administration

Monitor performance. The Subrecipient must verify that the contractor performs the approved Scope of Work, meets required deliverables and milestones, complies with the schedule, and satisfies applicable federal and City requirements.

Review invoices. Before payment, verify that the work was authorized and completed, the billing period is within the contract term, hours or quantities and rates are accurate, required support is included, and charges have not already been paid.

General descriptions such as **"consulting services," "professional services," or "project support"** without sufficient detail are not adequate to support reimbursement.

Document performance issues. Deficiencies and required corrective actions must be documented and resolved. Payment to the contractor does not replace the Subrecipient's responsibility to review and accept the work.

Approve changes before implementation. A material amendment must be completed in writing before the affected change is implemented. The Subrecipient must determine whether additional competition, governing-board approval, or City approval is required.

An amendment may not be used to:

- Avoid competition.
- Add unrelated work.
- Cure an improper procurement.
- Retroactively authorize otherwise ineligible costs.

TIP: Treat contract amendments like procurement decisions.
Before increasing the amount, extending the term, or adding work, determine whether the change remains within the original competition or triggers additional board, procurement, or City approval.

Maintain contract records. Retain the contract, amendments, invoices, deliverables, proof of payment, performance records, correspondence, corrective actions, and closeout documentation.

Close the contract. Before closeout, confirm that required goods or services were received and accepted, final invoices were reviewed, payments did not exceed the contract amount, outstanding credits or deficiencies were resolved, and no unresolved claim or compliance matter remains.

Contract closeout does not end applicable records-retention, audit, monitoring, or corrective-action responsibilities.

G. Contracting Outreach

Federal procurement standards require the Subrecipient to take affirmative steps to provide qualified small businesses and other identified business enterprises a meaningful opportunity to compete.

Required Outreach

Consistent with **2 CFR 200.321**, the Subrecipient must take appropriate affirmative steps involving:

- Small businesses.
- Minority businesses.
- Women's business enterprises.
- Veteran-owned businesses.
- Labor-surplus-area firms.

Outreach Practices

- **Solicitation lists.** Include qualified firms and solicit them when they are potential sources.
- **Project structure.** When practical, structure appropriate components or delivery schedules to encourage participation. Work may not be divided to avoid a procurement threshold.
- **Technical resources.** Use available resources such as the Small Business Administration and Minority Business Development Agency to identify qualified firms.
- **Subcontracting.** Require prime contractors to take comparable affirmative steps when selecting lower-tier subcontractors.
- **Target-area businesses.** Consistent with full and open competition, the Subrecipient should also consider qualified firms that employ target-area residents, are located within the target area, or are owned by target-area residents.

Documentation and Reporting

The Subrecipient must retain documentation of:

- Firms contacted.
- Outreach methods and dates.
- Responses received.
- Subcontracting results.

- Applicable City-required reports.

When required by the City's reporting or closeout instructions, the Subrecipient must report applicable CDBG-funded contracts and subcontracts of **$10,000 or more** using the City-provided contracting form.

SECTION IX: Monitoring and Compliance

The City monitors CDBG-funded projects to verify that Subrecipients implement their projects in accordance with the Agreement, approved Scope of Work and budget, applicable CDBG requirements, and this Operating Manual.

Monitoring begins with routine review of monthly reports and reimbursement requests and may include programmatic, fiscal, site, construction, property, or other compliance reviews. Monitoring may occur at any time from Agreement execution through closeout. Certain property, records, corrective-action, and other requirements continue after the Agreement ends.

The Subrecipient remains responsible for compliance regardless of the type or extent of City review. City approval of an MPR, RFR, monitoring response, or other submission does not prevent the City from later questioning an activity or cost found to be inaccurate, ineligible, unsupported, or otherwise noncompliant.

Monitoring at a Glance

Monitoring Activity	General Purpose	When It May Occur
Monthly Desk Review	Review MPRs, RFRs, project progress, costs, and recurring compliance requirements	Every reporting period
General Site Visit	Observe project operations, service delivery, property, or project conditions	As needed, before, during, or after the Agreement
Program Monitoring Review	Evaluate eligibility, National Objective, service delivery, program records, reporting, and program-management systems	Generally once during the Agreement period for applicable non-construction projects
Fiscal Monitoring Review	Evaluate financial management, internal controls, RFR support, property, program income, and fiscal systems	Generally once during the Agreement period for applicable non-construction projects
Remote Monitoring Review	Conduct a formal program or fiscal review electronically when appropriate	As determined by the City
Unscheduled Review	Verify a specific activity, operating condition, complaint, or compliance concern	As needed

Construction Monitoring	Review construction progress, labor compliance, payroll, worker interviews, inspections, and related requirements	Throughout applicable NCIP/construction projects
Real Property Disposition Monitoring	Verify continued eligible use, ownership, beneficiaries, maintenance, and applicable income	After completion for applicable CDBG-assisted property

TIP: Monitoring should confirm records you already maintain, not require you to recreate them.
Organize eligibility, program, fiscal, procurement, and other source records throughout the year so they can be readily traced to the MPR, RFR, and approved project.

A. Ongoing City Oversight

Monitoring is not limited to a formal monitoring visit. Routine City oversight occurs throughout the Agreement period.

Monthly Desk Review

City oversight occurs throughout the Agreement period through review of MPRs, RFRs, project correspondence, and other submitted records. The City may address project-performance, reporting, eligibility, cost, documentation, or compliance issues when identified rather than waiting for a formal monitoring review.

General Site Visits

The City may conduct announced or unannounced visits to observe project operations or conditions, verify activities or operating hours, review records, provide technical assistance, or follow up on a compliance concern. Applicable results and required corrective action may be documented in ED Grants.

TIP: Staff should know where the CDBG records are maintained.
A project should not depend on one employee being present for the City to locate basic Agreement, eligibility, service, fiscal, or compliance records.

B. Formal Program and Fiscal Monitoring Reviews

For applicable non-construction projects, the City generally conducts separate **Program Monitoring** and **Fiscal Monitoring** reviews.

Under the City's existing monitoring cycle, an on-site Program Monitoring Review and an on-site Fiscal Monitoring Review are generally conducted once during the Agreement period unless the corresponding review was completed within the previous **three (3) years with no concerns or**

findings identified. The City may conduct a review at any time based on project risk, performance, complaints, staffing or system changes, prior corrective action, or another oversight need.

Review	Primary Areas
Program Monitoring	Scope implementation, National Objective, eligibility, program records, performance reporting, procedures, and contractor oversight
Fiscal Monitoring	Financial management, internal controls, RFR support, payroll, allocation, banking, property, program income, procurement records, and audits
Prior Issues	Completion and effectiveness of prior corrective actions or monitoring requirements

The City may select participant, business, fiscal, procurement, or reporting records for testing and may trace submitted MPRs or RFRs back to original source documentation.

TIP: Be prepared to demonstrate the process, not just show the final report.
Monitoring may trace an MPR or RFR from the submitted ED Grants report back through the worksheets, source records, accounting system, eligibility files, payroll, or other documentation used to create it.

C. Formal Monitoring Process

The City may conduct a Program or Fiscal Monitoring Review on-site or remotely. A remote review has the same compliance significance as an on-site review.

The City will provide instructions identifying the review scope, required records, applicable forms, staff or locations involved, and deadlines. Depending on the review, the City may require a **Program Monitoring Review Form, Fiscal Monitoring Review Form, Program Monitoring Review Supplemental Form**, or another project-specific checklist.

Formal monitoring generally includes:

Notification → **Entrance Meeting** → **Document/File Review** → **Staff Interviews or Observation** → **Additional Testing, if needed** → **Exit Meeting** → **Written Monitoring Results**

The Subrecipient must provide requested records and knowledgeable staff and ensure that records maintained by accountants, payroll providers, consultants, contractors, affiliates, or electronic systems remain available for review.

The Subrecipient must not recreate, backdate, remove, conceal, or improperly alter historical records for monitoring. A legitimate correction must preserve the original information and document the correction, date, person making the correction, and reason.

TIP: Conduct an internal spot check before the City review.
Pick one or two previously reported months and trace the MPR and RFR back to the source records. This often identifies filing or reconciliation problems while there is still time to correct the underlying system.

D. Construction and Real Property Monitoring

Construction Monitoring

NCIP and other construction projects are subject to construction-specific site, labor, payroll, Section 3, BABA, inspection, change-order, and other monitoring requirements. See **Addendum A: NCIP/Construction Requirements**.

Real Property Disposition Monitoring

Under the City's current monitoring requirements, property acquired or improved in whole or in part with more than **$25,000 in HUD funds** is reviewed annually for **five (5) years from the project completion date recorded in HUD's Integrated Disbursement and Information System (IDIS)**. A longer monitoring or continuing-use period may apply when required by the Agreement, recorded restriction, federal requirement, or project-specific condition.

The review may verify:

Area	City Review
Ownership/Site Control	Whether ownership or another applicable property interest changed
Property Use	Whether the property continues to be used for the approved CDBG purpose
Beneficiaries/National Objective	Whether the applicable National Objective continues to be satisfied and documented
City Residency/Income	Whether required beneficiary, City residency, and annual income records continue to be maintained
Maintenance	Whether CDBG-funded improvements remain in good working order
Rent/Fees	Current rent for applicable multifamily housing and other income or fees generated by the property
Program Income	Whether applicable income is properly recorded and reported
Changes	Whether ownership, use, beneficiaries, or another material condition changed without required City approval

Additional continuing-use and real-property requirements are contained in **Addendum A**.

E. Monitoring Results

The City's written monitoring results identify the outcome of the review and any required follow-up.

Monitoring Result Categories

Result	Meaning	Typical Follow-Up
Compliant	Reviewed records demonstrate compliance with the applicable requirement	No corrective action
Recommendation	Opportunity to improve a system or reduce risk without an identified violation	Implementation generally encouraged unless specifically required
Concern	Matter that may become a finding or result in a sanction if not properly addressed	Written response and corrective action may be required
Finding	Documented violation of an applicable law or regulation that may result in a sanction	Corrective action required
Questioned Cost	Cost requires additional review because eligibility, support, allocation, or compliance is unresolved	Additional documentation or City determination
Disallowed Cost	Cost has been determined ineligible for CDBG reimbursement	Removal, correction, and repayment when applicable

Questioned and Disallowed Costs

A questioned cost requires additional review before a final determination. If a cost is disallowed, the Subrecipient must remove it from the CDBG project, correct applicable accounting and City records, repay previously reimbursed funds when required, apply related credits or recoveries, and document the correction.

F. Corrective Action and Follow-Up

The monitoring letter will identify which issues require a written response and the applicable deadline.

Responding to Monitoring Results

For each concern or finding requiring action, the Subrecipient should provide:

Element	Response
Issue	Identify the applicable concern or finding
Cause	Explain why the issue occurred
Affected Records	Identify affected participants, costs, transactions, reports, or periods
Completed Action	Describe corrective steps already taken

Remaining Action	Identify work that remains
Responsible Staff	Identify who will complete the correction
Completion Date	Provide a realistic deadline
Prevention	Explain how recurrence will be prevented
Evidence	Provide documentation demonstrating the correction

The City may require a separate **Corrective Action Plan** when the issue cannot be fully resolved through the initial response.

Corrective action may include revising policies, correcting client or fiscal records, expanding the sample review, correcting MPRs or RFRs, strengthening internal controls, training staff or board members, improving contractor oversight, repaying disallowed costs, or taking another action identified by the City.

Response Deadline

If additional time is needed, contact the City **before the response deadline**. An extension is effective only when approved by the City. Failure to provide a required written response by the City-established deadline may result in suspension or withholding of reimbursement until the City receives the required response

Closure

Submission of a response or Corrective Action Plan does not itself close an issue.

The City will review the response and issue written confirmation that:

- The issue is closed.
- Additional information is required.
- Further corrective action is necessary.
- A follow-up review will occur.
- Additional enforcement is required.

A concern or finding remains open until the City confirms its resolution **in writing**.

Agreement expiration or closeout does not automatically close an unresolved monitoring issue. Correspondence and corrective action continue until all required actions are complete. Concerns and findings may also become part of the Subrecipient's performance history and may be considered in future City funding processes.

TIP: A corrective action should fix the system, not only the sampled file.
If the City identifies a recurring process problem, review whether the same issue affects other clients, transactions, reports, or periods before responding.

G. Additional Compliance Action

The City may take additional action when noncompliance is serious, repeated, or unresolved. Depending on the circumstances and remedies available under the Agreement, this may include additional monitoring or documentation, technical assistance, reimbursement holds, disallowance or recovery of costs, corrective action, reprogramming, suspension or termination, consideration in future funding decisions, or referral to another appropriate authority.

H. Appeals

When the Subrecipient and City monitoring staff cannot resolve a concern or finding, the Subrecipient may submit a written appeal to the **Community Development Assistant Deputy Director**.

The appeal should identify:

- The concern or finding being appealed.
- The monitoring review and project.
- The basis for the appeal.
- The specific facts or conclusions disputed.
- The applicable Agreement, Manual, regulatory, or other requirement.
- Supporting documentation.
- The requested resolution.

The appeal should generally rely on information made available during the monitoring process unless the Subrecipient explains why additional information could not previously be provided.

Unless the City provides different written direction, filing an appeal does not automatically:

- Close the concern or finding.
- Extend a corrective-action deadline.
- Authorize continued use of a disputed procedure.
- Establish that a questioned cost is eligible.
- Remove an existing reimbursement hold.

The Community Development Assistant Deputy Director will review the appeal and, after discussion and concurrence with the Economic Development Department Deputy Director, issue the City's written final compliance determination.

HUD does not accept appeals of City decisions regarding monitoring issues.

SECTION X: Year-End Reporting and Project Closeout

Year-end reporting and project closeout document the Subrecipient's final activities, accomplishments, expenditures, funding sources, and continuing responsibilities.

The process depends on whether the project is complete at the end of the fiscal year.

Year-End and Closeout at a Glance

Project Status	Required Process	General Deadline
Project is complete	Closeout Request and Closeout Report	July 31 for projects ending June 30, unless the City provides another deadline
Active NCIP/construction project continues beyond June 30	Year-End Report	July 31, unless the City provides another deadline
Project terminates after June 30	Closeout Report	Within 30 calendar days after the approved termination date, unless otherwise directed

Public Services and Community Economic Development projects generally complete the **closeout process** rather than a Year-End Report, including when the City has approved a limited extension beyond June 30.

The Year-End Report is intended for an active NCIP/construction project that continues into another fiscal year and is not yet ready for closeout.

For an NCIP project that remains active across more than one June 30, a Year-End Report may be required for each completed fiscal year until the project reaches its final year and completes the closeout process.

Use:

- **Attachment J: Closeout/Year-End Report Guide** for current ED Grants instructions. and
- **Addendum A: NCIP/Construction Requirements** for construction-specific completion and closeout requirements.

TIP: Closeout begins before July.
During the final months of the project, reconcile performance, expenditures, funding sources, property, program income, and open compliance issues so July is used to finalize the project rather than reconstruct the year.

A. Determine Whether the Project Is Ready for Closeout

Project closeout is the process through which the City confirms that the required work under the Agreement has been completed and applicable programmatic, fiscal, administrative, and compliance matters have been resolved.

A project is generally ready to begin the closeout process when:

Closeout Area	Confirm
Scope of Work	Approved activities are complete
National Objective	Required beneficiaries, outcomes, or other National Objective documentation is complete
MPRs	All required monthly programmatic reporting has been submitted
RFRs	All eligible costs have been or are being included in the final reimbursement request
Budget	Final expenditures and remaining balance can be reconciled
Program Income	Applicable income and other project-generated revenue is fully identified
Property	Applicable equipment and real-property information is current
Contracts	Required contractor, subcontractor, and closeout records are complete
Monitoring/Audit	Open issues are identified and do not prevent accurate closeout
Construction	Required inspections, labor records, completion documents, warranties, and other Addendum A requirements are satisfied

The City may initiate the closeout workflow while final MPRs, RFRs, or another limited item is still under review. However, final closeout information must reflect the approved records, and unresolved items must be addressed before final City approval unless the City expressly authorizes otherwise. Current City staff procedures follow this sequence.

TIP: Closeout is a reconciliation, not a new reporting period.
The Closeout Report should summarize and confirm information already supported by the project's records and approved monthly reporting.

B. Year-End Report for an Active NCIP Project

An active NCIP/construction project that continues beyond June 30 and is not ready for closeout must submit the applicable **Year-End Report by July 31**, unless the City provides another deadline.

The report documents work completed during the fiscal year, current project status, significant delays or challenges, remaining work, and the anticipated completion schedule. It must reconcile to the applicable MPRs, RFRs, construction records, and accounting records.

See **Addendum A: NCIP/Construction Requirements** for construction-specific Year-End requirements and **Attachment J: Closeout/Year-End Report Guide** for current ED Grants instructions.

C. Final Programmatic and Fiscal Reconciliation

Before submitting the Closeout Report, the Subrecipient must reconcile the project's final programmatic and financial records.

Final MPR and Accomplishments

Before closeout, confirm that all MPRs accurately reflect final project accomplishments and that cumulative beneficiary, demographic, performance, and National Objective information reconciles to the project's source records. Correct known monthly-reporting errors through the applicable MPR process rather than through the Closeout Report.

Final RFR

Confirm that all remaining eligible costs are included in the final RFR and that the request reconciles to the General Ledger and approved budget. For projects ending June 30, the standard final RFR is due **July 15**; the City may authorize eligible final June personnel documentation through **July 25**. Amounts disallowed from the final RFR cannot be resubmitted.

See **Section VI** for final reimbursement requirements.

TIP: Resolve documentation issues before the final RFR.
The final reimbursement request does not provide another month in which to correct a disallowance.

D. Fiscal Closeout

Financial Reconciliation

Before submitting the Closeout Report, confirm:

Reconciliation	Confirm
General Ledger/RFRs	Final project accounting agrees with approved reimbursement requests and City payments
Budget	Final expenditures are correctly categorized and do not exceed the award
Other Funding	Non-CDBG project funding is separately identified
Program Income	Applicable receipts, uses, and balances are complete
Credits/Disallowances	Applicable credits and disallowed costs are properly reflected

Unspent Balance	Remaining CDBG funds and the reason they were not expended are accurately identified

Unspent CDBG Funds

The Subrecipient is not entitled to the unused portion of the award. At closeout, identify the final unspent balance and explain why funds were not fully expended. Unspent funds do not authorize unnecessary purchases, additional activities, accelerated spending, or costs outside the Agreement period and may be reprogrammed by the City.

Program Income and Other Project Revenue

The Subrecipient must report all applicable program income and other project-generated revenue at closeout, including remaining balances or amounts required to be returned to the City. See **Section VII** for program-income requirements.

E. Completing the Closeout Process

The City initiates the **Closeout Request** and releases the **Closeout Report** for Subrecipient completion in ED Grants. The Closeout Report summarizes and reconciles information already supported by approved monthly reporting and project records.

Component	Requirement
Closeout Request	Complete the applicable acknowledgement and preliminary property, contractor, audit, or other information requested by the City.
Secured Funding	Confirm all funding sources actually used to complete the project and the final amounts expended, including applicable leveraged funds, fees, donations, program income, and other public or private funding.
Financial Summary	Confirm final CDBG expenditures and remaining balance and explain applicable fiscal variances or unspent funds.
Accomplishment Narrative	Summarize completed activities and the CDBG benefit provided; compare final results with approved goals and objectives; explain significant delays, challenges, and resolutions; assess overall project effectiveness; and identify lessons learned or procedures/actions that may improve future implementation.
National Objective Narrative	Explain how the approved National Objective was met and identify the records supporting the final determination.
Audit Information	Complete applicable Single Audit certifications and provide audited financial statements as required under Section VII.
Attachments	When required or relevant, submit final project photographs, collateral materials, success stories or testimonials, and other project-specific

	records requested by the City. Materials intended for City publication must have any required publication authorization.

Review information prepopulated from ED Grants before submission. If an amount is incorrect because an underlying MPR, RFR, or project record is wrong, correct the applicable source record rather than overriding the information solely at closeout.

Only the authorized Primary Representative may complete final submission when ED Grants reserves that action to that role.

City closeout-reporting thresholds. Unless the City provides revised instructions, complete the Property Records Report for applicable personal property over **$5,000** and real property over **$25,000** acquired or improved in whole or in part with CDBG funds. Complete applicable MBE/WBE reporting for CDBG-funded contracts and subcontracts over **$10,000**.

Follow **Attachment J: Closeout/Year-End Report Guide** for current ED Grants instructions and required fields, forms, and attachments.

TIP: Report actual leveraged funding, not the original commitment.
If a funding source was anticipated but ultimately not used, preserve the record and accurately report the final amount rather than replacing history.

Single Audit Certifications and Financial Statements

Complete the applicable ED Grants audit certifications using the organization's most recently completed fiscal year.

The current Single Audit threshold is **$1,000,000 in federal awards expended during the organization's fiscal year**.

The Subrecipient must identify, as applicable:

- Most recent fiscal year-end date.
- Whether the current Single Audit threshold was met.
- Anticipated audited-financial-statement completion date.
- Anticipated Single Audit completion date, when required.

See **Section VII: Financial Management and Internal Controls** for the full audit requirements and Federal Audit Clearinghouse deadline.

Under the City's CDBG requirements, audited financial statements prepared by an independent CPA must be provided as required by the Agreement. When complete, upload them to the applicable Year-End or Closeout Report within the City's required timeframe.

When required financial statements are not yet available at closeout, enter the anticipated completion date and provide them when completed. Administrative closeout does not waive the outstanding requirement.

Property Records Report

Unless the City provides revised instructions, the Subrecipient must complete the City's Property Records Report at closeout for applicable **personal property over $5,000** and **real property over $25,000** acquired or improved in whole or in part with CDBG funds.

For each applicable item, report the information required by the current City form, including the property description, serial or other identification number, City-assigned property tag when applicable, acquisition date and cost, location, use, and condition.

The report must also include applicable reportable property:

- Located at the project site at the beginning of Subrecipient operations;
- Temporarily stored off-site when not in use at the project site; and
- For a Subrecipient operating a City program, property with a useful life of one year or more purchased with applicable CDBG funds in prior fiscal years when required by the City.

See **Section VII.F: Equipment and Property Controls** for ongoing property-record, inventory, loss, and disposition requirements.

Minority-Owned and Women-Owned Business Information

Unless the City provides revised instructions, the Subrecipient must complete the City's MBE/WBE closeout reporting for **all applicable contracts and subcontracts over $10,000 paid with City of San Diego CDBG funds**.

For each applicable contractor or subcontractor, report:

- Business name and address;
- Contract or subcontract amount;
- Type of trade;
- Applicable race/ethnicity ownership code;
- Whether the business is woman-owned;
- Employer/IRS identification information; and
- Other information required by the current City form.

Construction-specific contractor and subcontractor records are also subject to **Addendum A: NCIP/Construction Requirements**.

F. Construction and NCIP Closeout

NCIP and other construction projects must satisfy the general closeout requirements in this section and the construction-specific completion, inspection, labor, contractor, property, and continuing-use requirements in **Addendum A: NCIP/Construction Requirements**.

G. Outstanding Monitoring, Audit, and Compliance Issues

Closeout does not resolve an outstanding monitoring concern or finding, audit issue, questioned or disallowed cost, missing financial statement, property issue, or other required corrective action. The City may delay final closeout when an unresolved issue affects reported accomplishments, National Objective compliance, cost eligibility, or final financial reconciliation.

See **Section IX: Monitoring and Compliance** for corrective-action and closure requirements.

H. City Review and Final Closeout

The Project Manager reviews the Closeout Request and Closeout Report for completeness, accuracy, and consistency.

City Review

The Project Manager reviews the Closeout Request and Closeout Report for completeness, accuracy, consistency with approved MPRs and RFRs, completion of the Scope of Work, National Objective documentation, final financial reconciliation, required funding and property information, applicable audits, and outstanding compliance issues.

The City may return the report for correction or additional documentation before approval.

TIP: Do not change a closeout total just because the City says it does not reconcile. First determine whether the error is in the Closeout Report, an MPR, an RFR, or the underlying source records, then correct the appropriate source.

Final Approval

The project is considered administratively closed only after the City completes its required review and records or issues the applicable closeout approval in ED Grants. The Subrecipient must retain the final Closeout Request, Closeout Report, City approval, and supporting project records.

Closeout does not waive an Agreement requirement, end an applicable continuing obligation, prevent later monitoring or audit, or prevent recovery of an ineligible or unsupported cost.

I. Responsibilities After Closeout

Closeout ends active project administration but does not necessarily end all CDBG responsibilities.

Records Retention and Access

Continue to retain records for the period established in **Section III: Managing Your CDBG Project**, **Records Retention**, the Agreement, and applicable federal requirements.

Current CDBG regulations require Subrecipient records for an individual CDBG activity to be retained for the longer of **three (3) years after expiration or termination of the Subrecipient Agreement or three (3) years after the City's annual performance report in which the activity**

is reported for the final time. Longer requirements apply to activities subject to reversion/change-of-use provisions and outstanding receivables or liabilities.

Closeout does not authorize destruction of project records.

After the applicable retention period, provide the City the required **thirty (30) calendar days' written notice** before disposing of records and securely destroy confidential or personally identifiable information.

Continue providing authorized City, HUD, federal, auditor, and other required access to project records regardless of whether the records are maintained by the Subrecipient or a contractor, consultant, accountant, payroll provider, affiliate, electronic-system vendor, or other third party.

Property and Equipment

Continue to:

- Maintain required property records.
- Conduct required inventories.
- Maintain applicable City property tags.
- Keep property in good condition.
- Use property for its approved purpose.
- Report theft, loss, or damage.
- Obtain written City approval before disposition or transfer.
- Report applicable proceeds or program income.

Do not sell, donate, trade, discard, transfer, encumber, or change the use of CDBG-assisted property without required written City approval.

Continuing Use of Real Property

Real property acquired or improved with CDBG funds must continue to be used for the approved CDBG purpose and National Objective for the applicable period.

For property subject to the City's post-closeout monitoring requirement, provide annual information for at least **five (5) years after the project completion date designated by the City in HUD's IDIS system**, unless the Agreement, recorded restriction, or another applicable requirement establishes a longer period.

Annual documentation may include:

- Ownership or lease information.
- Current facility use.
- Services provided.
- Beneficiaries.
- National Objective documentation.
- Photographs.
- Property condition and maintenance.

- Rent or other fees.
- Program income.
- Other records requested by the City.

Obtain prior written City approval before changing ownership, operator, lease/site control, facility use, population served, improved area, or another condition affecting CDBG eligibility.

Audits and Corrective Action

After closeout, continue to:

- Provide audited financial statements as required.
- Complete a Single Audit when applicable.
- Respond to City, HUD, or auditor requests.
- Complete outstanding corrective actions.
- Resolve questioned or disallowed costs.
- Repay amounts later determined to be ineligible.
- Maintain required property-use documentation.
- Cooperate with follow-up monitoring.

The current federal Single Audit threshold is **$1,000,000 in federal awards expended during the organization's fiscal year**.

When audited financial statements are completed after administrative closeout, provide them to the City within the timeframe required by **Section VII** and upload them to the corresponding Year-End or Closeout Report as directed.

SECTION XI: Definitions and Legal References

This section provides definitions for recurring terms and acronyms used throughout the Operating Manual, a summary of the City's CDBG budget structure, and a reference to the primary legal and administrative authorities governing CDBG-funded projects.

These definitions are intended to support consistent project administration. They do not replace definitions or requirements established by federal or state law, the San Diego Municipal Code, the executed Agreement, or other controlling requirements. When an applicable authority defines a term differently, the controlling definition applies.

Detailed requirements are provided in the applicable sections of this Manual, its attachments, and applicable addenda. **Addendum A: NCIP/Construction Requirements** and **Addendum B: ESG Requirements** contain additional definitions and legal references specific to those activities.

A. Acronyms and Initialisms

Term	Meaning
ADA	Americans with Disabilities Act
BABA	Build America, Buy America Act
BAP	Buy America Preference
CDBG	Community Development Block Grant
CED	Community Economic Development
CEQA	California Environmental Quality Act
CFR	Code of Federal Regulations
CPA	Certified Public Accountant
CPR	Certified Payroll Report
DIR	California Department of Industrial Relations
DOL	United States Department of Labor
ED Grants	Economic Development Grants Management System
EDD	City of San Diego Economic Development Department
ERR	Environmental Review Record

ESG	Emergency Solutions Grant
FAC	Federal Audit Clearinghouse
FAIC	Federally Approved Indirect Cost, a City/ED Grants term associated with an approved federal indirect cost rate
FBPS	Fringe Benefit Payment Schedule
GAAP	Generally Accepted Accounting Principles
HUD	United States Department of Housing and Urban Development
IDIS	Integrated Disbursement and Information System
IFB	Invitation for Bids
LMI	Low- and Moderate-Income
LMC	Low- and Moderate-Income Limited Clientele
LWO	City of San Diego Living Wage Ordinance
MBE	Minority Business Enterprise
MPR	Monthly Programmatic Report
NCIP	Nonprofit Capital Improvement Project
NEPA	National Environmental Policy Act
NPE	Non-Personnel Expense
PE	Personnel Expense
PES	Personnel Expense Schedule
PS	Public Services
RFR	Request for Reimbursement
SAM.gov	System for Award Management
SDMC	San Diego Municipal Code
UEI	Unique Entity Identifier

URA	Uniform Relocation Assistance and Real Property Acquisition Policies Act
U.S.C.	United States Code
WBE	Women's Business Enterprise

B. Key Terms and Definitions

The following terms have specific or recurring significance in CDBG project administration.

Term	Definition
Agreement	The executed written agreement between the City and the Subrecipient governing the CDBG-funded project. The Agreement includes its approved exhibits, Scope of Work, budget and budget narratives, schedule, amendments, and other incorporated documents.
Agreement period	The period identified in the Agreement during which the Subrecipient is authorized to implement the approved project and incur eligible project costs. The period begins on the effective date and ends on the termination date unless amended in writing.
Area Benefit activity	A CDBG activity that benefits all residents of a defined, primarily residential geographic area where the applicable LMI standard is met. The project file must document the service-area boundaries and information supporting the applicable National Objective.
Client or participant	A person receiving a CDBG-funded service, benefit, or form of assistance. The applicable Scope of Work and performance indicator determine how the person is reported.
Community Development Project Manager / Project Manager	The City staff member assigned as the Subrecipient's primary contact for Agreement administration, reporting, technical assistance, project changes, monitoring, and other City oversight.
Concern	A condition that creates a compliance risk and may become a finding if it is not adequately addressed. A concern may require additional documentation, corrective action, revised procedures, or other City follow-up.
Consultant	A person or organization engaged to provide professional, technical, advisory, or specialized services supporting the approved project.

	Consultants are subject to applicable procurement, conflict-of-interest, contracting, documentation, and monitoring requirements.
Contractor	A person, firm, or organization that provides goods, services, or construction work under a contract with the Subrecipient.
Corrective Action Plan	A written plan describing how a compliance issue will be resolved. It generally identifies the cause of the issue, corrective actions, responsible staff, completion dates, supporting evidence, and measures to prevent recurrence.
Cost allocation	The process of assigning a cost that benefits more than one project, program, funding source, location, or organizational function based on the relative benefit received.
Cost Allocation Plan	A written document identifying shared costs and the methodology used to allocate those costs among benefiting programs, projects, funding sources, departments, or activities.
Direct cost	A cost that can be specifically identified with and assigned to the CDBG-funded project with a high degree of accuracy.
Disallowed cost	A cost the City has determined may not be charged to the CDBG project. When the City has already reimbursed the cost, repayment or another fiscal correction may be required.
Eligible cost	A cost that is necessary, reasonable, allocable, adequately documented, incurred within the applicable period, consistent with the approved budget and Scope of Work, and otherwise allowed under the Agreement and applicable requirements. Inclusion in the budget alone does not establish that a cost is eligible.
Finding	A documented violation of an applicable law, regulation, Agreement provision, or other binding requirement that requires corrective action and may result in a sanction or other remedy.
Indirect cost	A common or joint cost that benefits more than one organizational activity and cannot be readily assigned to the CDBG project without disproportionate effort. Indirect costs may be charged only through an applicable City-approved methodology and may not also be charged directly to the project.
Low- and Moderate-Income (LMI)	A person, family, or household meeting the applicable HUD income standard. The applicable definition, income limit, family or household size, and documentation method depend on the National Objective and eligibility method identified in the Agreement.

Low- and Moderate-Income Limited Clientele (LMC) activity	An activity that benefits a defined group of persons and meets the Limited Clientele requirements in 24 CFR 570.208, such as through direct income documentation or an authorized presumed-benefit method.
Microenterprise	A commercial enterprise with **five or fewer employees, one or more of whom owns the enterprise**. This is the statutory CDBG definition. (U.S. Code)
National Objective	One of the statutory objectives that every CDBG-funded activity must meet and document. The three broad objectives are benefit to LMI persons, prevention or elimination of slums or blight, and meeting a community development need having a particular urgency. The Agreement identifies the National Objective and documentation method applicable to the project. (eCFR)
Noncompliance Notification	A formal City notice identifying a failure to comply with a reporting, performance, documentation, administrative, fiscal, or other Agreement requirement. The notice may identify required corrective action and a completion deadline.
Presumed-benefit person	A person belonging to a HUD-recognized group that may be presumed principally LMI for an eligible Limited Clientele activity. Presumed Benefit may be used only when authorized by the Agreement and applicable CDBG requirements. See **Section IV** and **Attachment A** for the current categories and documentation requirements.
Primary Representative	The individual authorized by the Subrecipient's governing board to complete official actions in ED Grants. Actions taken by the Primary Representative are binding on the organization. Only the Primary Representative may complete ED Grants actions reserved for that role, such as final report submission and Agreement approval.
Program income	Gross income directly generated from the use of CDBG funds, as determined under 24 CFR Part 570 and the Agreement. Potential program income must be reported to the City, which determines its appropriate treatment.
Project closeout	The process through which the City determines that the approved work and applicable programmatic, fiscal, administrative, monitoring, and performance requirements have been completed or otherwise resolved. Administrative closeout does not end applicable records-retention, audit, monitoring, property-use, repayment, or other continuing responsibilities.

Questioned cost	A cost that may be ineligible, unsupported, unreasonable, improperly allocated, or otherwise noncompliant but requires additional information or review before the City makes a final determination.
Reporting period	The period covered by an MPR, RFR, Year-End Report, Closeout Report, or other required City report. Unless otherwise stated, a monthly reporting period covers one calendar month.
Scope of Work	The Agreement exhibit describing the activities the Subrecipient is authorized to perform and applicable beneficiaries, locations, performance measures, milestones, and project-specific requirements. Costs for activities outside the approved Scope of Work are not eligible unless the City has approved the required change.
Secondary Representative	An authorized ED Grants user who may access and prepare project information but may not complete actions reserved for the Primary Representative.
Service contact or unit of service	A specific service, activity, session, distribution, or other unit provided to or on behalf of a participant. A participant may receive multiple service contacts while being counted only once under an applicable unduplicated-client indicator.
Subcontractor	A person, firm, or organization that performs a portion of the approved project or provides project-related services under an agreement with the Subrecipient or, for construction, another contractor. Applicable requirements must be flowed down to subcontractors as required.
Subrecipient	A public or private nonprofit organization, public agency, City department, governmental entity, or other eligible organization receiving CDBG funding through an Agreement with the City. The Subrecipient remains responsible for compliance even when another party performs part of the project.
Supporting document	A document maintained or submitted to demonstrate project eligibility, cost eligibility, payment, performance, organizational compliance, or another Agreement requirement. Supporting documents may be required during Agreement execution, reporting, reimbursement, monitoring, or closeout.
Unduplicated client	A person counted once under the applicable unduplicated-client performance indicator for the period established by the City's reporting instructions, regardless of the number of eligible services received.

C. CDBG Budget Reference

The approved budget and budget narratives in the executed Agreement establish how CDBG funds are authorized for the project. A budget identifies the amount available for a cost category or line, but **does not independently establish that a particular expenditure is eligible for reimbursement**.

Budget Terms at a Glance

Term	Description
Budget	The City-approved allocation of CDBG funds for the project. The total approved CDBG amount may not be increased through a budget modification.
Budget category	A broad classification used by the City to organize project costs, such as Personnel Expense (PE), Non-Personnel Expense (NPE), or applicable indirect and construction costs.
Budget line	A specific classification within the approved budget, such as Salaries and Wages, Fringe Benefits, Supplies, Rent/Lease, Utilities, Consultant Services, or Construction/Renovation. Only lines included or subsequently approved for the project may be used.
Budget narrative	The approved description in ED Grants explaining the nature and purpose of a budgeted cost, how it supports the project, and how the amount was calculated. Reimbursed costs must be reasonably encompassed by the approved narrative.
Budget modification	A City-approved change to the allocation of funding among allowable budget lines. A budget modification does not authorize a Scope of Work change, increase the CDBG award, or retroactively make an otherwise ineligible cost eligible.
Fringe Benefits	Employer-paid benefits must be budgeted by specific benefit type, with the narrative identifying the positions covered, applicable provider or plan sponsor, calculation methodology, and CDBG-funded amount. Certain authorized paid absences are treated as fringe benefits for City budgeting purposes. see Section VI.D for the applicable leave classifications.
Administrative Indirect Overhead	Indirect administrative costs charged using an applicable federally approved rate, approved Cost Allocation Plan, authorized de minimis methodology, or other City-approved method. The same cost may not be charged both directly and indirectly.

Construction-specific budget lines	NCIP projects may include approved Construction/Renovation, Construction Management, or other project-specific lines identified in ED Grants and the Agreement. See Addendum A for construction-specific cost requirements.

D. Legal and Administrative Authorities

The following table identifies the primary authorities referenced throughout this Manual. It is intended as a reference and is **not an exhaustive list of every law, regulation, ordinance, policy, or requirement that may apply to a project**.

Authority	Primary Subject
Housing and Community Development Act of 1974, Title I (42 U.S.C. 5301 et seq.)	Statutory authority for the CDBG Program, including eligible activities, National Objectives, and program administration. (U.S. Code)
24 CFR Part 570, particularly Subparts C, J, and K	CDBG eligible activities and National Objectives. Subrecipient agreements. program income. real property. records and reporting. civil rights. labor. environmental requirements. acquisition and relocation. Section 3. lead-based paint. conflicts of interest. and other CDBG requirements. (eCFR)
2 CFR Part 200	Federal financial management, internal controls, cost principles, procurement, property, records, audit, and other uniform administrative requirements applicable to federal awards. (eCFR)
24 CFR Part 58. NEPA and related environmental authorities. CEQA, as applicable	Environmental review and clearance, including the prohibition on certain choice-limiting actions before required environmental approval. (eCFR)
Davis-Bacon and Related Acts. 24 CFR 570.603. 29 CFR Parts 1, 3, and 5. Contract Work Hours and Safety Standards Act	Federal prevailing-wage, payroll, overtime, and other labor-standard requirements for covered construction. (eCFR)
California Labor Code and applicable San Diego Municipal Code prevailing-wage requirements	California public-works requirements, including prevailing wages, contractor registration, payroll, apprenticeship, and related requirements for covered projects.
Section 3 of the Housing and Urban Development Act of 1968. 24 CFR Part 75. 24 CFR 570.607	Employment, training, contracting opportunities, labor-hour reporting, benchmarks, and related

	requirements for covered HUD-assisted projects. (eCFR)
Build America, Buy America Act. 2 CFR Part 184. 2 CFR 200.322	Buy America Preference and domestic-content requirements for applicable federally assisted infrastructure projects. (eCFR)
Uniform Relocation Assistance and Real Property Acquisition Policies Act. 49 CFR Part 24. 24 CFR 570.606. 24 CFR Part 42	Real-property acquisition, displacement, temporary or permanent relocation, required notices, relocation assistance, and applicable replacement-housing requirements. (eCFR)
24 CFR Part 35 and 24 CFR 570.608	Lead-based-paint evaluation, hazard reduction, notices, safe-work practices, clearance, and recordkeeping when applicable. (eCFR)
Title VI of the Civil Rights Act. Fair Housing Act. Section 109 of the Housing and Community Development Act. Section 504 of the Rehabilitation Act. ADA. Age Discrimination Act. applicable HUD regulations	Nondiscrimination, equal opportunity, fair housing, disability access, and program accessibility. HUD's Section 504 requirements for federally assisted programs are implemented through 24 CFR Part 8. (eCFR)
Federal suspension, debarment, and exclusion requirements	Verification that prohibited, suspended, debarred, or otherwise ineligible parties do not participate in applicable federally funded transactions. CDBG incorporates applicable federal exclusion requirements through 24 CFR 570.609 and related federal rules. (eCFR)
San Diego Municipal Code and other applicable City requirements	City requirements that may apply to procurement, business registration, insurance, permits, prevailing wages, contracting, and other project activities.
City of San Diego Due Process and Safety Ordinance, SDMC Chapter 5, Article 2, Division 15 (§§ 52.1501–52.1507)	City requirements concerning civil-rights protections, confidentiality of information relating to protected personal characteristics and activities, law-enforcement requests, required facility signage, contractor and grantee compliance, subcontract flow-down requirements, and notice to the City. (SDMC)
City of San Diego Living Wage Ordinance, SDMC Chapter 2, Article 2, Division 42	City living-wage and related employer requirements when the City determines the ordinance applies to the Agreement or covered work. (SDMC)
City Council Policy 700-02	City policy governing the selection and implementation of CDBG-funded activities, including

	applicable project timeliness, expenditure, and reprogramming standards. (SDMC)
Executed Agreement, approved amendments, this Operating Manual and applicable addenda, and written City approvals	Project-specific Scope of Work, budget, schedule, performance, reporting, documentation, prior-approval, and other requirements. The Agreement controls when it conflicts with this Manual.

Regulatory Updates

Federal, state, and City requirements may change during the Agreement period, including dollar thresholds, wage determinations, HUD waivers, forms, reporting instructions, and other administrative requirements.

The Subrecipient must follow the requirement applicable to its project and Agreement. When the City issues an updated form, written instruction, or project-specific determination, the Subrecipient must follow that direction unless it conflicts with a controlling Agreement or legal requirement.

For **NCIP and construction projects**, see **Addendum A: NCIP/Construction Requirements** for the more detailed construction regulatory reference table. For **ESG**, see **Addendum B: ESG Requirements** for ESG-specific statutes and regulations rather than repeating them here.

Attachments and Companion Resources

Use the current City-issued version of each attachment, guide, and addendum. These resources support implementation of the Agreement and this Operating Manual but do not replace or supersede either document.

- **Attachment A: Current HUD Income Limits for the City of San Diego**
- **Attachment B: Agreement/Operating Manual Exemption Request Form**
- **Attachment C: No Claims Form**
- **Attachment D: Sample Income Verification and Demographics Forms**
- **Attachment E: CED Microenterprise Assistance Guidelines**
- **Attachment F: Construction Project Checklist**
- **Attachment G: MPR Indicators and Descriptions**
- **Attachment H: MPR Guide**
- **Attachment I: RFR Guide**
- **Attachment J: Closeout/Year-End Report Guide**
- **Addendum A: NCIP/Construction Requirements**
- **Addendum B: Emergency Solutions Grant (ESG) Requirements**

Additional resources, including ED Grants instructions, procurement tools, labor-compliance materials, insurance guidance, and sample policies, may be maintained separately in ED Grants or the City's designated resource site.

Thank You for Your Partnership!

The City of San Diego appreciates your organization's continued partnership and commitment to serving San Diego communities.

Administering a CDBG-funded project takes thoughtful planning, careful stewardship of public funds, strong documentation, and ongoing coordination. Your work helps turn these resources into services, economic opportunities, stronger neighborhoods, and improved community facilities.

Thank you for being a partner in making that impact possible.

The City of SAN DIEGO