

City of San Marcos Risk Analysis Documentation

Community Development Block Grant Disaster Recovery
Program
Federal Register Notice 5938-N-01

Submitted on: July 15, 2016

July 15, 2016

Elva F. Garcia, CPD Director
San Antonio Field Office
Hipolito Garcia Federal Building
615 East Houston Street, Suite 347
San Antonio, TX 78205-2001

RE: San Marcos Risk Analysis Documentation

Dear Ms. Garcia:

The City of San Marcos is extremely grateful to the U.S. Department of Housing and Urban Development (HUD) for the \$25,080,000 allocation of CDBG-DR funding under Public Law 114-113 to support disaster recovery efforts in the areas of housing, infrastructure and economic development. Attached is the City's Risk Analysis Documentation per the Federal Register Notice 5938-N-01 that we are required to submit within 30 days of June 22, 2016 which was the effective date of the notice.

It is our hope that, after review of the documentation, HUD will determine that the City has demonstrated it has adequate and proficient controls, procedures and management capacity in place to effectively administer the grant. Additionally, as other program functions and activities are identified, the City will take the necessary steps to incorporate processes, procedures and work-flows to ensure compliance with the CDBG-DR regulatory framework.

We appreciate your review of the Risk Analysis Documentation and certification necessary to demonstrate the City's capacity and compliance with the notice requirements. Should you have questions regarding the documentation and/or the Implementation Plan, please contact Collette Jamison, Assistant City Manager at 512-393-8104 for more information.

Sincerely,



Jared Miller, City Manager
City of San Marcos

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• Completed HUD Financial Management Guide	
• Financial Controls Policy	
• Comprehensive Annual Financial Report (CAFR)	
• San Marcos Single Audit	
Attachment 2: City of San Marcos Purchasing Policy	

**Risk Analysis Documentation Checklist
CDBG-DR Public Law 114-113 Grants**

PART A. SCOPE OF REVIEW	
Grantees must identify the type of recipient (referred to as “Grantees” in this Checklist) receiving Community Development Block Grant –Disaster Recovery (CDBG-DR) Funds:	
State Grantee	No
Unit of Local Government (UGLG) Grantee	Yes
PART B. FINANCIAL CONTROLS	
1. OMB Audit and Financial Statement	
a) Has the Grantee attached its most recent Single Audit produced in response to the Grantee’s most recent audit conducted in accordance with 2 CFR part 200, subpart F, and its most recent financial statement prepared in accordance with 2 CFR 200.510, which include a schedule of expenditures and schedule of findings and questioned costs?	Yes
b) Has the Grantee attached its most recent annual financial statement?	Yes
c) Does either the Single Audit or financial statement indicate that the Grantee has material weaknesses, significant deficiencies, or questioned costs?	No
d) If the answer to question 1.c above is yes, has the Grantee provided documentation showing how the issue(s) have been removed or are being addressed?	N/A
2. P.L. 114-113 Guide for Review of Financial Management	
a) Has the Grantee completed P.L. 114-113 Guide for Review of Financial Management and attached it to this Checklist?	Yes
b) Has the Grantee attached its financial standards?	Yes
<i>Note. The Guide and the attached documents must demonstrate that the financial standards are complete and conform to the requirements of the P.L. 114-113 Guide for Review of Financial Management. The Grantee must identify which sections of its financial standards address each of the questions in the P.L. 114-113 Guide for Review of Financial Management and which personnel or unit are responsible for each P.L. 114-113 Guide for Review of Financial Management item.</i>	
Did the Grantee answer "yes" to all Requirements? If No, describe basis for conclusion:	Yes
PART C. Procurement Processes	
<i>Note: State grantees may adopt EITHER procurement standards as identified in 2 CFR 200.318 through 200.326, OR equivalent standards. As such, state grantees can only affirmatively answer questions 1 or 2, below. Units of general local government grantees must complete question 1 below.</i>	
1. Has the Grantee adopted the specific procurement standards at 2 CFR 200.318 through 200.326 (subject to 2 CFR 200.110, as applicable)? If yes:	Yes
a. Has the Grantee attached a copy of its procurement policies and procedures and indicated the sections of its procurement standards that incorporate 2 CFR 200.318 through 200.326?	Yes
b. Do the standards indicate which personnel or unit is responsible for each item?	Yes
2. For State grantees only: In the alternative, are the Grantee’s procurement processes and standards equivalent to the effect of the procurement standards at 2 CFR 200.318 through 200.326, meaning that the process/standards operate in a manner providing fair and open competition? If yes:	N/A
a. Has the Grantee attached its procurement policies and procedures and indicated how the sections of its procurement policies and procedures that align the procurement provisions of 2 CFR 200.318 through 200.326?	N/A
b. Do the processes indicate which personnel or unit is responsible for each item?	N/A
Did the Grantee answer "yes" to all Requirements? If No, describe basis for conclusion:	N/A

PART D. Procedures for Prevention of Duplication of Benefits	
1. Has the Grantee provided uniform prevention of duplication of benefits procedures which identifies its processes for:	
a. Verifying all sources of disaster assistance received by the Grantee or Applicant?	Yes
b. Determining an applicant's unmet need(s) before awarding assistance?	Yes
c. Ensuring beneficiaries agree to repay the assistance if they later receive other disaster assistance for the same purpose?	Yes
d. Using the best available data from FEMA, SBA, insurers and other sources of assistance prior to award?	Yes
2. Do the procedures indicate which personnel or unit is responsible for each task?	Yes
Did the Grantee answer "yes" to all Requirements? If No, describe basis for conclusion:	Yes
<p>Note: The City of San Marcos has based this response on where it is currently in the process. The City is currently undergoing its Action Plan process where it will identify its "unmet" needs and prioritize based upon the results of the assessment. However, we have identified within this response what we will do in order to prevent duplication of benefits. Once policies and procedures are written, the DOB provisions will be incorporated.</p>	
PART E. Procedures to Determine Timely Expenditures	
1. Has the Grantee attached procedures to determine timely expenditures?	Yes
2. Do the procedures indicate how the Grantee will track expenditures each month?	Yes
3. Do the procedures indicate how the Grantee will monitor expenditures of its recipients?	Yes
4. Do the procedures indicate how the Grantee will reprogram funds in a timely manner for activities that are stalled?	Yes
5. Do the procedures indicate how the Grantee will project expenditures to meet the six year expenditure period?	Yes
6. Do the procedures indicate which personnel or unit are responsible for the task?	Yes
Did the Grantee answer "yes" to all Requirements? If No, describe basis for conclusion:	Yes
<p>Note: The City of San Marcos already has tracking mechanisms in place with its regular CDBG program. We will expand upon that process to accommodate the \$25 million. Additionally, City staff will attend DRGR training within the next several months which will also serve as an additional tracking mechanism. The narrative within the Risk Analysis Documentation specifies a combination of ways the City will track funds.</p>	
PART F. Procedures to Effectively Manage Funds	
1. Has the Grantee attached procedures that indicate how the grantee will verify the accuracy of information provided by applicants?	Yes
2. Do the procedures indicate that the Grantee has a policy for monitoring that contains:	
a. How monitoring was conducted?	Yes
b. Why monitoring is conducted?	Yes
c. Frequency of monitoring?	Yes
d. Which items are monitored?	Yes
3. Do the procedures include a signed statement from the Internal Auditor describing his/her role in detecting fraud, waste, and abuse?	No
Did the Grantee answer "yes" to all Requirements? If No, describe basis for conclusion:	No
<p>Note: The City does not yet know all of the activities it will undertake. Therefore, it is difficult to design a monitoring strategy until those activities are known. However, we have generally explained in the narrative the measures that the City will take in order to prevent issues of waste, fraud and abuse. Once the activities are known, the City will incorporate provisions into its policies and procedures designed to detect occurrences of fraud. We do expect to use an Independent Auditor who will serve as another layer of monitoring to ensure compliance.</p>	

PART G. Procedures to Maintain a Comprehensive Website	
1. Has the Grantee attached procedures to maintain a comprehensive website regarding all CDBG disaster recovery activities?	Yes
2. Do the procedures indicate that the Grantee will have a separate page dedicated to its CDBG-DR funds that will contain links to all:	
a. Action Plans, including DRGR Action Plan	Yes
b. Action Plan Amendments	Yes
c. Performance Reports (i.e., Quarterly Performance Reports (QPRs))	Yes
d. Citizen participation requirements	Yes
e. Activity/program information for activities described in the Action Plan?	Yes
3. Do the procedures indicate the frequency of website updates?	Yes
4. Do the procedures indicate which personnel or unit are responsible for the task?	Yes
Did the Grantee answer "yes" to all Requirements? If No, describe basis for conclusion:	Yes
Note: The City of San Marcos has already created its disaster recovery website which can be found at www.smbxfloodrecovery.com	
PART H. Procedures to Ensure Timely Information on Application Status	
1. Has the Grantee attached procedures describing how it will inform applicants of their status in the recovery application process?	Yes
2. Do the procedures indicate the Grantee has methods for communicating the status of applications via the following:	
a. Website?	Yes
b. Phone?	Yes
c. Case Manager?	Yes
d. Letter to the Applicant?	Yes
3. Does the Grantee have procedures to ensure the accessibility and privacy of individual applicant information?	Yes
4. Do the procedures indicate which personnel are responsible for the task?	Yes
Did the Grantee answer "yes" to all Requirements? If No, describe basis for conclusion:	Yes
Conclusion	
Demonstration that it has in place proficient controls, procedures, and management capacity. This includes financial controls, procurement processes and adequate procedures to prevent any duplication of benefits as defined by section 312 of the Stafford Act, to ensure timely expenditure of funds, to maintain comprehensive websites regarding all disaster recovery activities assisted with these funds, and to detect and prevent waste, fraud, and abuse of funds.	
Demonstration that it can effectively manage funds, ensure timely expenditure of funds, maintain a comprehensive website regarding all disaster recovery activities assted, and ensure timely communication of application status to applicants for disaster recovery assistance.	
Demonstration of adequate capacity to manage the funds and address any capacity needs?	
PART J. Grantee's Certification	
Does the Grantee certify to the accuracy and validity of the responses provided to HUD?	Yes
Signature of Official Responsible for CDBG-DR Recovery Implementation:	
	
Printed Name of Official Responsible for CDBG-DR Recovery Implementation Jared H. Miller City Manager, City of San Marcos	

Financial Controls

The City of San Marcos understands that it is subject to the Single Audit Act. A “Single Audit” encompasses the review of compliance with program requirements and the proper expenditure of funds by an independent Certified Public Accountant. The accounting firm will report all findings and associated evidence directly to the City’s Finance and Audit Committee consisting of the Mayor, Mayor Pro-Tem and Deputy Mayor Pro-Tem first. Executive City staff will be briefed after the City’s Finance and Audit Committee have been notified. The auditor will then present the Comprehensive Annual Financial Report (CAFR) and single audit to the full Council at a public meeting. The City of San Marcos’ latest audit did not reveal any material weaknesses or deficiencies. As an entitlement area, the City of San Marcos receives an annual CDBG allocation which requires a similar financial management process as required by CDBG-DR. Therefore, the City already has in place a structural framework to manage the funds due to its existing CDBG grant with HUD. We are aware of the variances that exist between programs and will make the appropriate adjustments in order to comply with Public Law 114-113.

This Financial Management Guide is designed to assess the proficiency of a CDBG-DR Grantee’s financial controls based on the financial requirements in Subparts D and F of 2 CFR part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The City’s Finance Department has completed Public Law 114-113, Guide for Review of Financial Management and affirms that it has the appropriate financial controls in place to adequately and accurately account for the \$25,080,000 in HUD CDBG-DR funds. Provided collectively as **Attachment 1** are the completed *HUD Financial Management Guide, Financial Controls Policy*, the City’s latest *CAFR* and *Single Audit*. The City also understands that HUD’s Disaster Recovery Grant Reporting System (DRGR) is the official system of record. City Staff who will be responsible for entering data into DRGR will attend a DRGR training facilitated by HUD in Fort Worth, Texas on August 9-10, 2016. This training will assist staff in determining how to dovetail the City’s financial management system with that of HUD’s DRGR system – with the goal of aligning and reconciling the financial information and other reporting data points as required by HUD.

Procurement

The City of San Marcos has revised its Purchasing Policy to reflect procurement standards that comply with the specifications detailed in 2 CFR 200.318 through 200.326 (subject to 2 CFR 200.110, as applicable) due to its applicability to the regular entitlement CDBG program managed by the City. Necessary proposed revisions ensure that the City of San Marcos:

- has documented procurement procedures that conform to State and local laws and regulations **AND** guidance in 2 CFR 200.317-326
- maintains oversight to ensure that contractors perform in accordance with the terms and conditions of their contracts or purchase orders.
- maintains written standards of conduct covering conflicts of interest and governing the performance of its employees engaged in the selection, award, and administration of contracts. No employee, officer, or agent can participate in the selection, award, or administration of contracts if he or she has a real or apparent conflict of interest.

For each service and project funded by CDBG-DR funds, the City will adhere to its adopted Purchasing Policy. The revised Purchasing Policy is attached as **Attachment 2**. Additionally, pursuant to the *Federal Register Notice, Part III, Management and Oversight of Funds, Section 2(a) Procurement*, the City has provided a chart below identifying the sections within the revised Purchasing Policy that correlate to the statutory requirements per 2 CFR 200.318 – 200.326 and the responsible entity for each task.

2 CFR Statutory Citation	Statutory Requirements	San Marcos Purchasing Section	San Marcos Responsible Department
2 CFR 200.318(a)	Documented procurement standards	Section 2: Purchasing Division Policy Statement	Purchasing Division of the Finance Department
2 CFR 200.318(b)	Contractor oversight	Section 4: Contract Management	Development Services and Planning Departments
2 CFR 200.318(c)	Conflict of interest provisions	Section 12: Ethics Code Restrictions	Purchasing Division of the Finance Department and Legal Services
2 CFR 200.318(g)	Value engineering clauses	Section 5: Purchase Categories, D. Purchases over \$50,000 3. Construction Projects	Purchasing Division of the Finance Department and Legal Services
2 CFR 200.319	Competition	Section 5: Purchase Categories, D. Purchases over \$50,000	Purchasing Division of the Finance Department
2 CFR 200.320	Types of Procurement	Section 5: Purchase Categories	Purchasing Division of the Finance Department
2 CFR 200.321	MBE/WBE, Surplus provisions	Section 13: Historically Underutilized Businesses (HUB’S)	Purchasing Division of the Finance Department
2 CFR 200.322	Procurement of recovered materials	Section 16: Recycled Products	Purchasing Division of the Finance Department
2 CFR 200.323	Contract cost and price	Section 5: Purchase Categories, D. Purchases over \$50,000	Purchasing Division of the Finance Department
2 CFR 200.324	Federal Pass through	Section 5: Purchase Categories, D. Purchases over \$50,000	Purchasing Division of the Finance Department
2 CFR 200.325	Bonding	Section 5: Purchase Categories, D. Purchases over \$50,000 3. Construction Projects	Purchasing Division of the Finance Department
2 CFR 200.326	Federal contract provisions	Section 5: Purchase Categories, D. Purchases over \$50,000	Purchasing Division of the Finance Department

Duplication of Benefits

The City has reviewed the HUD Duplication of Benefits notice as provided in Federal Register 76 FR 71060. We understand that, pursuant to the Robert T. Stafford Act, a duplication of benefits (DOB) is strictly prohibited. Federal law prohibits any person, business concern, or other entity from receiving Federal funds for any part of such loss as to which he/she has already received financial assistance under any other program, private insurance, charitable assistance or any other source. The City of San Marcos recently established a disaster recovery task force to assist City officials in determining areas of greatest need. As a part of this process, we expect to ascertain where the “unmet need” exists in the areas of housing, infrastructure and economic development. This Unmet Needs Assessment will provide an identification of program activities and a prioritization of those activities based upon the various available data sources such as FEMA, SBA, insurance claims and other sources that may be applicable at the time of project eligibility determination.

We understand that CDBG-DR funds cannot be used to supplant other funding sources that may be available to support projects impacted by the floods. Additionally, the City knows that it is critical to prevent providing funds to applicants to support activities for which they may have already received assistance. The City’s policy will reflect that funds determined to be a DOB will be deducted or otherwise offset from the amount of assistance available to the applicant through the established housing program. The City understands its responsibility as the oversight agency of the CDBG-DR funds to implement safeguards to prevent such occurrences. Preventing a duplication of benefit is especially critical in housing program implementation. It is expected that the City will focus a portion of its funding to assist with unmet housing needs within the City. The City’s Housing Programs policies and procedures will address in great detail how it will conduct the DOB analysis. However, as a part of determining eligibility for housing, infrastructure and economic development activities, case managers will apply all DOB policies prior to determining the level of assistance applicants may be eligible to receive. The Texas General Land Office has provided the City of San Marcos with some templates that we will consider using as paradigms from which to base housing program policies.

The City of San Marcos will continuously monitor program applicants for compliance with CDBG-DR and Duplication of Benefits requirements. It is conceivable that all funding sources may not be known at time of determining eligibility. Therefore, the City will continue to do its due diligence to verify benefits that may have been secured from FEMA, SBA, private insurers, charitable contributions and any other available financial assistance. This information will be assessed and weighed against their unmet needs prior to the applicant’s approval for CDBG-DR program funds as well as throughout the duration of the applicant’s agreement with the City of San Marcos.

The City of San Marcos works closely with FEMA to gather the most current and available information. As updated information becomes available, awards will be adjusted as appropriate to prevent a DOB and to minimize occurrences of recapture. The City has already secured SBA data that it will use as a part of its DOB analysis. As a part of its case management process, the City will require applicants to execute an Income Certification, Insurance Certification and Subrogation Agreement, which will become part of each applicant’s record. These documents will hold each applicant accountable to the accuracy of information provided and also give the City

recourse if it is determined at a later time that applicants received other financial assistance that was not identified at the time of application. If a duplication of benefits arises in the duration of the agreement, the City of San Marcos will adhere to the guidelines set forth in the CDBG-DR Appropriations Act, 2 CFR 200, and the Stafford Act (chapter 37 of title 31) for the recapturing of funds. Beneficiaries of CDBG-DR program funds will be informed of the recapturing of funds in an agreement executed with the City if it is determined that a DOB exists. The City of San Marcos Department of Planning and Development Services will bear responsibility for ensuring compliance with DOB regulatory requirements.

Timely Expenditures

Per the notice published in Federal Register Notice 5938-N-01, CDBG-DR funds must be expended within a six (6) year time frame beginning on the date the grant agreement is signed by HUD. However, we understand that HUD will periodically review the City's progress in drawing down funding from its Line of Credit (LOC). The City of San Marcos will review in-house expenditures and beneficiary expenditures to ensure that funds are spent on eligible costs and in a timely manner. Project funds and schedules will be monitored by the City of San Marcos' Finance Department, the City's planning and management consultant(s) and ultimately audited through the City's independent audit function.

City staff already has experience with monitoring the expenditure rate of its CDBG program. With the City's current allocation of CDBG funds, the City of San Marcos's Department of Planning and Development Services, Community Initiatives Division maintains detailed spreadsheets monitoring the expenditure of funds and project schedules. The City uses Tyler Technologies Munis as its enterprise financial software, annual budget performance measures and several project management applications including Microsoft Project, Access and BaseCamp to manage complex projects, expenditures and milestones. A subcommittee of the City Council, as a part of its adopted Financial Policy, monitors quarterly expenditures of all major fund categories. The City, through an outside integrity insurance reporting tool called Lighthouse Services, Inc., adheres to an Open Government Policy adopted by the City Council to ensure transparency. However, due to the enormity of the CDBG-DR grant to the City, the City will adapt and enhance its current processes by establishing standard tracking mechanisms, processes and templates to ensure consistency and continuity among program activities. The City of San Marcos will also maximize its use of technology to support and augment any standard processes instituted to ensure timely expenditure of funds.

The City of San Marcos will also hold our contractors accountable through benchmarks and other critical milestones. Contractors will be required to provide detailed reports concerning expenditure of funds and project progress to the City upon its request. It is expected that the City will require contractors to provide quarterly reports; however, due to the varying nature of each project, specific projects may be asked to provide those project updates more frequently. When contracting with a sub-recipient, contractor or other recipient, the City will establish certain benchmarks that must be achieved prior to funding being released. As a part of its contractual obligations to the City, contractors will be required to present the City with a plan on how they will implement procedures to reach the determined benchmarks. Each contract will specify the milestones that must be achieved by each contractor. The City may also require contractors to secure a bond as

may be appropriate to protect the interest of the City and work performed on behalf of the City. In addition to ensuring that contractors are meeting project timelines, these benchmarks will allow the City to project expenditures for each individual project. As a part of the structure for the CDBG-DR program, the City has established a contracts management arm to monitor and enforce the provisions of all professional services and construction contracts. Additionally, the City has implemented a contracts management component in its Tyler Technologies Munis Financial Software to assist in project management.

Per Federal Register Notice 5938-N-01, the City of San Marcos also expects to submit a projection of expenditures and outcomes plan to HUD within 120 days after the initial Action Plan has been submitted through the DRGR system. Revised projections will be sent to HUD when program changes impact projected outcomes, funding levels and recovery timelines. We understand that HUD will use this information to track the City's proposed versus actual performance. It will serve as a tool to measure overall performance as well as project-specific performance. This is why the City will aggressively monitor its contractors as a means to prevent bottlenecks in the process while also minimizing delays in expending funds for eligible project activities.

Management of Funds

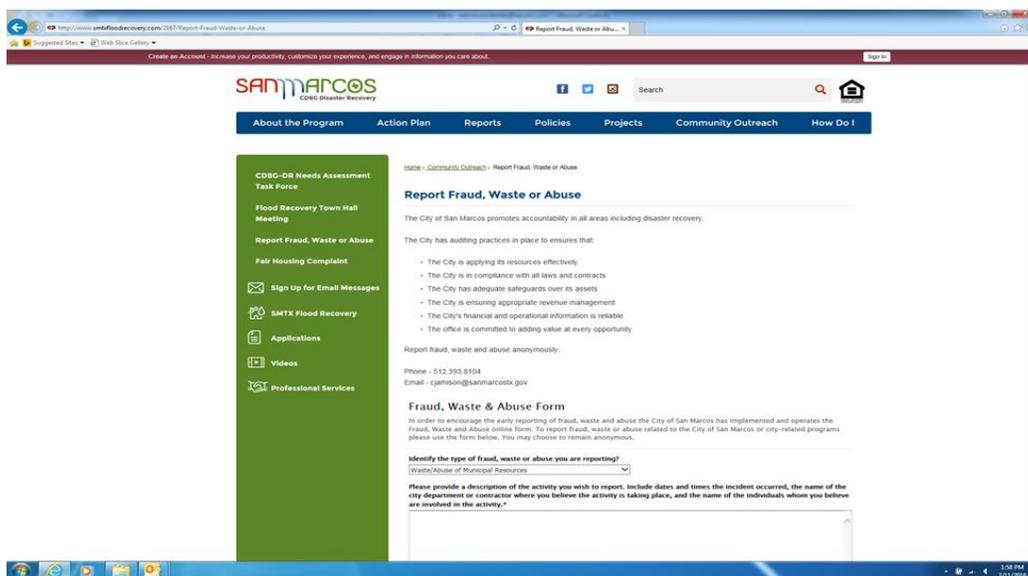
As the grantee, the City of San Marcos has the responsibility to ensure that the appropriate protocols are in place to manage the CDBG-DR funds and also to incorporate measures to prevent waste, fraud and abuse of government funds. The City is currently developing an Action Plan, which is intended to assist the City in determining residual needs within the community. This preliminary needs assessment phase of Action Plan development will ultimately drive program activities in the areas of housing, infrastructure and economic development, as well as determine the types of programs the City will establish as a part of the CDBG-DR program. Preliminary surveys and data sets signal that there continues to be a great unmet need in the areas of housing and infrastructure. Therefore, the City envisions that a large portion of available funding will be used to support activities in those areas, with the necessary development of applicable processes and procedures. The City will use its planning consultant(s) to assist with the development of policies, procedures and other program templates that will be beneficial to the effective management of the process and program funds. The Texas General Land Office has offered to lend some of their tried-and-true CDBG-DR documents and processes for the City's use and revision as appropriate. The City will take full advantage of the resources provided by the State.

The City of San Marcos has a fiduciary responsibility to ensure the proper disbursement of grant funds for eligible activities. The City of San Marcos plans to remain in compliance with applicable CDBG-DR rules and regulations, as well as other applicable federal regulations such as 2 CFR 200. The City of San Marcos will particularly emphasize mitigation of fraud, abuse and mismanagement related to accounting, procurement and accountability which may also be investigated. In addition, the City will adhere to the conflict of interest provisions referenced at 24 CFR 570. In order to mitigate these issues, the City of San Marcos will contract routine reviews by an independent auditor whose ultimate responsibility will be to ensure compliance with CDBG-DR rules and regulations as prescribed under Public Law 114-113 to prevent occurrences of waste, fraud and abuse. The City of San Marcos will monitor the compliance of applicants. HUD will in turn monitor the compliance of the City Manager's Office where oversight of the contract will

reside. The City will build monitoring components within all contracts executed with vendors – professional services and contractors. In addition to the City’s independent auditor, City staff will provide a secondary QA/QC function that will serve as an internal checks-and-balance. Upon identification of the menu of priorities and activities the City will undertake as identified in the Action Plan, the City will devise a monitoring policy that will outline the activities that will be monitored and the compliance parameters for each activity, including frequency of the monitoring. The City envisions that it will monitor project activities no less than quarterly to ensure compliance and timely expenditure of funds.

The City of San Marcos has a variety of unmet needs, and we understand that some projects/programs may take longer than others to implement. In an effort to demonstrate consistent progress towards recovery, the City will direct attention toward its most ready-to-go projects that are ripe to proceed and toward eliminating internal regulatory barriers that limit its ability to move forward on projects that are critical to the community’s resilience and sustainability efforts, such as drainage and larger infrastructure projects. These projects may take longer to plan and coordinate. The City will consider how it may phase longer term projects to demonstrate progress.

To assist with identifying areas of waste, fraud and potential abuse, the City has set up a website at <https://www.smtxfloodrecovery.com/fraud> which allows members of the public to anonymously report issues of potential impropriety. This website will be managed and monitored by the City’s Department of Communications and Intergovernmental Relations. The City Manager will investigate the merits of each claim and will follow the appropriate protocol to eliminate instances of fraud. Additionally, this website contains information as to how to file a Fair Housing complaint in the event an applicant feels as if they have been discriminated against relative to housing options. Below is a screenshot of the City’s fraud, waste and abuse website.



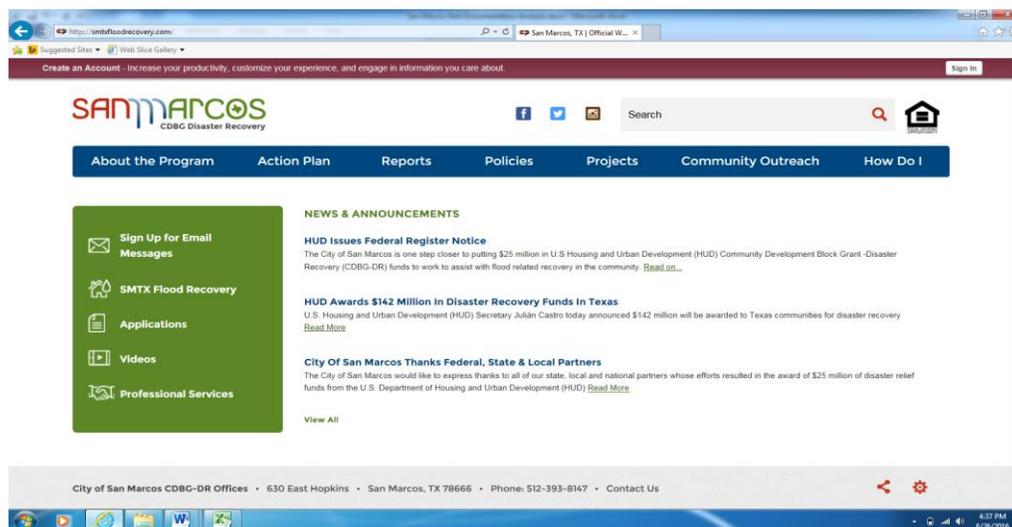
The City plans to use professional consultants to assist with carrying out activities under the grant. The consultants will provide technical assistance to City staff, assist with developing standard operating procedures as well as program policies and procedures, provide environmental review, estimating and inspection services, assist with general program management and provide other

resources as necessary to fulfill the City's obligations under the grant. The priorities identified during the Action Planning process will assist in the City's assessment as to the resources that may be needed to support program management functions. The City has already hired a consultant to support its Action Plan process and to provide some auxiliary services to support activities in connection with program planning.

Comprehensive Disaster Recovery Website

The City of San Marcos will maintain a dedicated disaster recovery web page to inform the public and any other interested parties on how the City is managing all CDBG-DR components. This page located at <http://smtxloodrecovery.com> will serve as the primary repository of information for the City's disaster recovery actions and resources and will contain links to all action plans, action plan amendments, performance reports, citizen participation requirements, procurement policies, notices of public meetings, activity/program information for activities described in the action plan and other information relevant to the CDBG-DR program funds. Updates to the dedicated disaster recovery website will be made in conjunction with any new activity associated with the CDBG-DR program action plan and funds. The website will be maintained by the City's Communications and Intergovernmental Relations Department.

As required by HUD and outlined in the Federal Register Notice 5938-N-01, the City of San Marcos will enter its Action Plan for Disaster Recovery including performance measures into HUD's DRGR system. As more detailed information about uses of funds is identified by the City, it will be entered into DRGR, with sufficient detail to serve as the basis for acceptable performance reports. As reports are completed within DRGR and approved by HUD, The Communications and Intergovernmental Relations Office will ensure that the information is posted to the City's Disaster Recovery website. A screenshot of the website is highlighted below.



A quarterly performance report (QPR) will be submitted to HUD no later than 30 days following the end of each quarter after grant award and continuing until all funds have been expended and all expenditures have been reported. No less than three (3) days prior to submitting to HUD, the

City will post the QPR to the website for public comment. Each QPR will include information about the uses of funds during the applicable quarter including but not limited to:

- project name, activity, location, and national objective;
- funds budgeted, obligated, drawn down and expended;
- the funding source and total amount of any non-CDBG Disaster Recovery funds to be expended on each activity;
- beginning and actual completion dates of activities;
- achieved performance outcomes; and
- race and ethnic status of persons assisted under direct-benefit activities.

QPRs to HUD will be submitted using the DRGR system and within 3 days the City of San Marcos will post the submitted report to its official website. In addition to these required reports, the City will also post its procurement policies, executed CDBG-DR contracts as well as the status of services or goods currently being procured by the City. The City will also reference HUD's *Final Guidance to Federal Financial Assistance Recipients Regarding Title VI, Prohibition Against National Origin Discrimination Affecting Limited English Proficient Persons* to ensure that the appropriate document translations are available via the website.

Timely Information on Application Status

The City of San Marcos believes that an effective and comprehensive communications strategy is critical in communities where disasters occur, with the overarching theory that if communities understand these phases and where they can access resources ahead of a disaster, the communities themselves will create a culture of personal resilience and sustainability. This communication may involve the preparedness, warnings and notifications, response and recovery phases of any disaster.

The City has been proactive in engaging the community and keeping them informed of disaster recovery efforts transpiring within the community in an effort to create this culture, using the disaster recovery website located at <https://smtxfloodrecovery.com> as a clearinghouse of resources for community stakeholders as well as potential applicants within the programs that will be designed as a part of the City's planning process.

The City will continue this process of clear communication in any program that is served through CDBG-DR funds. Federal Register Notice 5938-N-01 dictates that the City adopts procedures requiring it to be accountable to its program applicants. The City understands that applicants are typically frustrated during the aftermath of a disaster due to the magnitude of damage and loss. What exacerbates that is the lack of available information as to the status of filed claims or application status. For example, in housing programs, there are a voluminous number of phases within the process such as application intake, verification of benefits, environmental review assessment, grant agreement execution, construction and closing. There are many incremental steps within the process that require time to complete. Since applicants are not experts in the housing recovery process, there are many nuances that they would ordinarily not understand. To mitigate the anxiety of applicants, the City of San Marcos understands that it will need to institute systems that are designed to give real-time statuses to applicants upon request. Additionally, proactive case management will be critical to moving applicants along in the process as well.

Although the City does not yet know the volume of case management activities it will need to undertake at this juncture until conclusion of the Unmet Needs Assessment, it will consider all options such as:

- Establishing an 800 number for applicants to call to receive a status of their case;
- Developing a web portal for which applicants can have 24-hour access to their case via online;
- Directly calling their designated case managers for status of application;
- Sending electronic status letters after critical milestones have been achieved as well as outlining next steps; and
- Face-to-face consultations with case managers.

Undertaking any number of options above will be predicated on the types of activities the City will develop as well as the volume of each activity. The City wants to make sure that its established process designed to inform applicants aligns with the types of programs it undertakes. However, any processes that are designed will preserve the privacy of the individual Applicant information. In the instance where there is a web-based component to verify status of an application, the City's IT Department and/or its contracted technology provider will ensure that the status of applications are only accessed using unique identifiers germane to each applicant.

Implementation Plan

The City of San Marcos, in compliance with Federal Register Notice 5938-N-01, has detailed within this Implementation Plan how it plans to approach and undertake operational and program management functions relative to the CDBG-DR funding.

Capacity Assessment

The City of San Marcos, as an entitlement community, receives an annual allocation of CDBG funds. Since 2012, the City has received an average annual allocation of approximately \$526,000. The City, as outlined in its 2015-2019 Consolidated Plan, typically uses its program dollars to support:

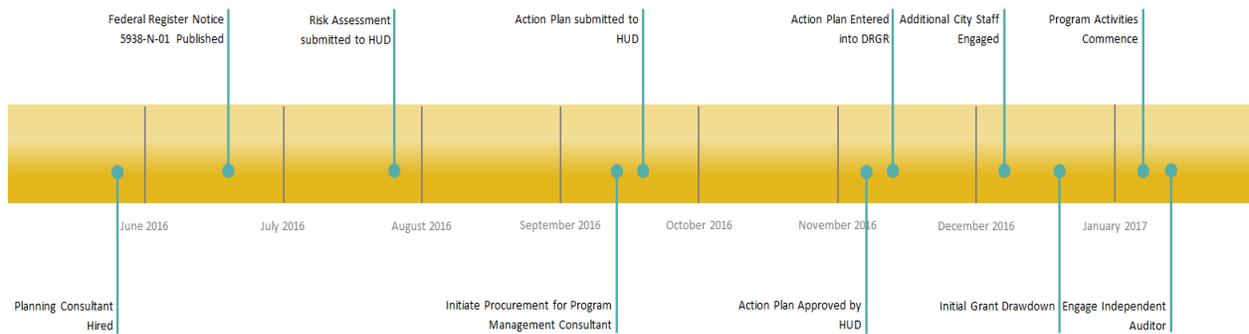
- Affordable Housing;
- Public Services;
- Public Facilities/Infrastructure/Transportation; and
- Clearance Activities.

City staff has already been exposed to many of the regulatory requirements that are mandated under Federal Register Notice 5398-N-01 because several of the requirements overlay with the regular CDBG Entitlement Program. However, there are some variant regulations that the City will be required to adhere to as a part of the CDBG-DR program. Although the City has the general programmatic and financial infrastructure in place, it will need additional support to efficiently manage the \$25 million allocation under the CDBG-DR program. The City understands that it will need supplemental staffing to augment the City's efforts and is prepared to make those determinations upon identification of the various activities the City will undertake. The City has

hired AECOM Technical Services (AECOM) as its disaster recovery planning consultant to assist with the Action Plan and Needs Assessment. The City also understands that it will have to undertake program management responsibilities covering various activities potentially in the areas of housing, infrastructure and economic development. Due to the City’s limited staffing capacity, it does envision hiring and procuring the necessary staffing and expertise to augment the City’s current staff. Whether hired at the City level or outsourced, the City understands that it will potentially need resources such as case managers, compliance and quality assurance specialists, auditor, legal services and other services to fully satisfy our contractual obligations to HUD.

Below is a general timeline that highlights critical statutory and program milestones as well as timeframes which the City thinks it will bring on the additional capacity to carryout program activities. Although some of the functions will not commence until after the Action Plan is approved, some proactive measures have already been taken to accelerate the process.

Timeline of Events: City of San Marcos CDBG allocation, effective February 29, 2016



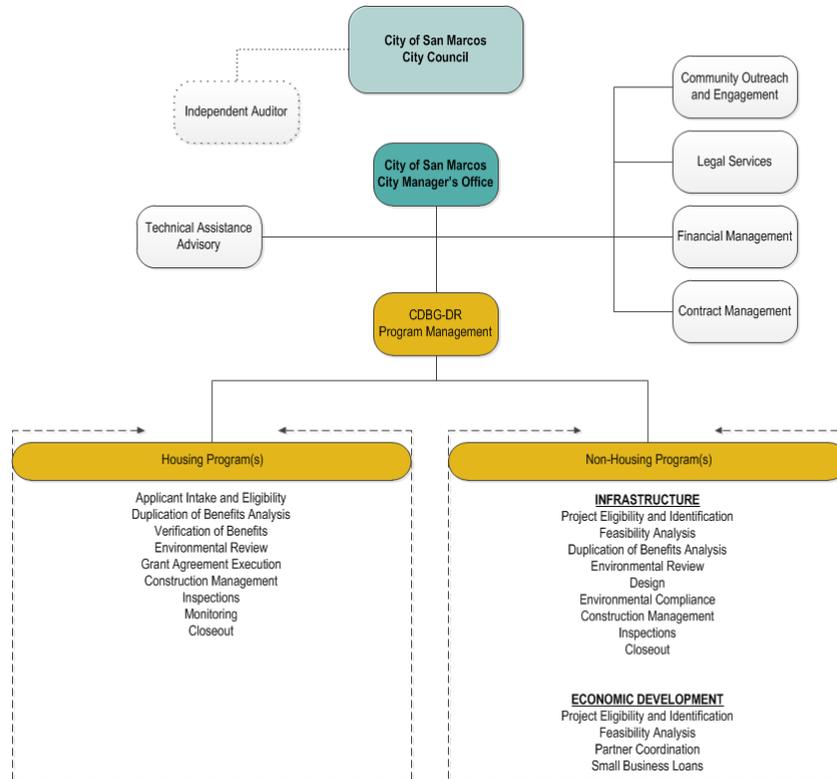
Staffing

As stated under the Capacity Assessment section, the City understands that it will need additional resources to augment its efforts in order to effectively carryout the responsibilities under the CDBG-DR grant. Although the City plans to hire or procure these resources, it will also maximize its use of the resources available to it through its partners. There are organizations in the community that have been critical to the response process that already have processes in place that could be tailored to meet some of its existing needs under the City’s recovery programs. As the City is developing its staffing model, it will certainly consider all of its options and determine what the most reasonable staffing model looks like in relation to the program activities it will undertake.

The City’s staffing model will be malleable to accommodate the needs associated with the program activities. As the programs get underway, the City will make the appropriate adjustments to accommodate the work load. The organizational chart in this section gives a visual of the various functions that will be associated with the program activities undertaken with the CDBG-DR funds. The City has also identified the various departments that will be responsible for certain functions of the CDBG-DR program:

- *City Manager’s Office* – responsible for general oversight and quality control functions associated with the implementation of CDBG-DR program funding.

- *Office of Emergency Management* – serves as liaison between FEMA and the City of San Marcos in determining preliminary damage estimates; information will be used to determine unmet need and duplication of benefits analysis.
- *Communications and Intergovernmental Relations Office* – responsible for maintaining a comprehensive communications strategy relative to program activities; maintains the disaster recovery website located at <http://smtxloodrecovery.gov>.
- *City of San Marcos Department of Finance* – responsible for implementing financial controls and sound financial management practices to ensure timely expenditure of funds; department will also develop a standard disbursement/draw process for all vendors/contractors to follow.
- *Department of Planning and Development Services* – will provide general oversight for all housing programs developed inclusive of case management services and environmental compliance as it relates to housing activities.
- *Department of Engineering and CIP* – will manage program activities related to infrastructure projects; assist in determining damage estimates for housing and infrastructure activities; assist in providing GIS mapping services that will help identify priority areas; assist in determining appropriate resilience and sustainability measures that would potentially mitigate and/or prevent future flooding.
- *Legal Services* – responsible for management of contracts associated with professional services and construction contracts to ensure compliance with contractual obligations; will assist in determining appropriate mechanisms to secure services related to real estate and title services.
- *Independent Auditor* – per the City’s Code of Ordinances, City Charter, Section 3.16, the Council shall hire an Independent Auditing/CPA firm who will be accountable to the Council; auditor will have primary responsibilities to ensure compliance with CDBG-DR regulations and other financial requirements specified under 2 CFR 200.205 of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and other regulations as applicable. The City Charter Section 4.05 also allows the City Council to appoint an internal auditor that reports directly to the Council. The internal auditor may be a city employee or a contracted service.



Internal and Interagency Coordination

Various departments within the City of San Marcos will share in the implementation responsibilities for the grant. However, the City Manager’s Office will be ultimately responsible for ensuring internal and interagency coordination and communication among the various departments. Coordination has already begun as evidenced by the response phase immediately after the floods of May 2015 and October 2015. The responsibilities of each department have been detailed within the Staffing section above. As the programs evolve, it may be necessary to expand the menu of responsibilities under any given department. Each of these departments is a part of the Disaster Recovery Team (DRT) that has been established by the City to provide programmatic oversight. The Disaster Recovery Task Force (DRTF) also consists of community stakeholders such as local businesses, non-profit organizations, churches and other religious organizations, neighborhood associations and representatives of the county in which San Marcos is located.

As a part of this process, department leaders have become aware of the types of responsibilities it will be tasked with under the grant. To the greatest extent possible, the City will standardize its processes and program templates so that each department is conversant with the logistics associated with each program activity. The City will develop a simplified work-flow of activities based upon the set-up of each program which will be codified in the policies and procedures manuals for each program. Upon program start-up, department managers will establish timelines and milestones that will be communicated to each department head.

Since various departments will be involved with program implementation, it may be necessary to enter into Interdepartmental Agreements to ensure that each department is aware of its primary responsibilities and deliverables within prescribed timeframes. The City also recognizes that

projects designed to address a regional issue may require coordination with County and other community and regional stakeholders. All activities that will require this level of coordination will be orchestrated by the City Manager's Office.

Technical Assistance

The City will ensure that its staff has been provided with all training necessary to ensure that activities funded under this Action Plan are correctly administered. As contracts are executed, necessary efforts to increase the capacity of applicants, sub recipients, contractors and any other entities responsible for administering funding under this Action Plan will be implemented to ensure they have the specific skills needed to successfully oversee the activity. As mentioned before, the City has already hired AECOM Technical Services as a consultant to assist with the Action Plan process which it has the option to use to provide other ancillary services related to planning and program implementation. The City plans to retain an experienced consultant to assist with Program Management. The Texas General Land Office has also agreed to provide the City with model documents to use as prototypes when designing its own housing and infrastructure programs.

On May 11, 2016, in anticipation of the Federal Register being published, City leadership and staff met with Office of Inspector General to review capacity and expectations of the OIG relating to CDBG-DR funding. Additionally, on June 20-21, 2016, HUD provided technical assistance to the City management and staff – outlining the specific requirements of the Federal Register Notice along with guidance relative to best practices that should be considered by the City as it undertakes activities under the CDBG-DR program. The City plans to consult with HUD on an as-needed basis for general policy guidance or clarification of statutory requirements, though we do understand there are limited resources. Although the City anticipates that the disaster recovery grant will be managed out of the Washington, DC office, we will consult with the San Antonio HUD Field Office to seek solutions to issues.

Technical assistance will be provided to contractors and sub-recipients on a consistent basis to ensure they are up to date on the most current disaster recovery information and program requirements. This will be accomplished through training sessions, webinars, presentations and other tools designed to educate and inform.

Accountability

The City Manager's Office will be the lead agency that will be accountable and responsible for the implementation of the CDBG-DR grant. The Assistant City Manager, who is tasked with program coordination among City agencies and other stakeholders, will report directly to the City Manager. The City Manager is accountable to the City of San Marcos Council and will report on activities directly.

Certification of Accuracy of Risk Analysis Documentation

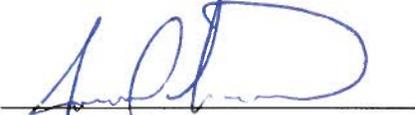
I, Jared Miller, certify to the best of my ability, that the information submitted within this Risk Analysis Documentation is true and accurate at the time of submission to HUD and complies with certain components of Section VI, E, 44 of this Federal Register Notice 5938-N-01 and Public Law 114-113. It is also understood that an additional certification will be required upon full submission of the Action Plan to HUD which is not due until 90 days after the effective date of the Federal Register Notice. This certification is limited to the content of the Risk Analysis Documentation.

Jared Miller

Printed Name and Title

07/21/2016

Date


Signature

Public Law 114-113 Guide for Review of Financial Management

PUBLIC LAW 114-113 Guide for Review of Financial Management for CDBG-DR Grantees	
Grantee	Name of Grantee City of San Marcos Texas
	Staff Consulted: Heather Hurlbert, Director of Finance; Ismael Garcia, Accounting Manager
	Name and Title of Grantee Staff Completing Form: Thane Newman, Grant Accountant
	Signature:  Date: 7/21/16

HUD	HUD Staff Consulted:
	Name and Title of HUD Staff Completing Form:
	Signature: _____ Date: _____

Instructions:

P.L. 114-113 Certifications: Each grantee must submit Risk Analysis Documentation to demonstrate in advance of signing a grant agreement that it has in place proficient controls, procedures, and management capacity. This includes demonstrating financial controls, procurement processes, and adequate procedures to prevent any duplication of benefits as defined by section 312 of the Stafford Act. The grantee must also demonstrate that it can effectively manage the funds, ensure timely expenditure of funds, maintain a comprehensive website regarding all disaster recovery activities assisted with these funds, and ensure timely communication of application status to applicants for disaster recovery assistance. Further, the Grantee has established adequate procedures to detect and prevent fraud, waste, and abuse of funds.

In order for Grantees to demonstrate that proficient financial controls are in place, each Grantee must complete this Public Law 114-113 Guide for Review of Financial Management (the Financial Management Guide) as part of completing Part B. Financial Controls of the P.L. 114-113 Risk Analysis documentation and submit the required information to the Grantee’s designated HUD representative. A designated HUD representative from Headquarters or the Field Office (FO) must review the Grantee’s submission and complete this Financial Management Guide. When HUD CPD Specialists or Financial Analysts are not available, the CPD FO Director will designate an alternate HUD representative for the FO representative. The Headquarter representative will be assigned by the Director of the Disaster Recovery and Special Issues Division.

The Grantee’s documentation must be submitted within 30 days of the effective date of the *Federal Register* Notice 5938-N-01 which publishes the Appropriations Act awardees and the grant requirements (the Notice). Failure to submit documentation within 30 days of the effective date of the Notice may result in the cancellation of the award selection. Grantees must submit Risk Analysis documentation in advance of signing a grant agreement in order to demonstrate that grantees can adequately manage and oversee the CDBG-DR award.

This Financial Management Guide is designed to assess the proficiency of a CDBG-DR Grantee’s financial controls based on the financial requirements in Subparts D and F of 2 CFR part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Where the question pertains to a CDBG-DR Grantee, the term Grantee is used.

Public Law 114-113 Guide for Review of Financial Management

This Financial Management Guide is a modified exhibit typically used to monitor Grantees following grant execution. To satisfy the requirements for review of financial processes pertaining to the HUD-award, Grantees should consider the processes of existing HUD or other Federal funding awards and refer to documentation of those awards, where applicable. This Financial Management Guide is divided into sections A through J: Financial Management; Internal Controls; Bonds; Payment and Financial Reporting; Cost Sharing or Matching; Program Income; Revision of Budget and Program Plans; Period of Performance; Record Retention and Access; and Audit Requirements. Additionally, in completing the Financial Management Guide, Grantees must demonstrate that its financial standards are complete and conform to these requirements. The Grantee must identify which sections of its financial standards address each of the questions in the Financial Management Guide and which personnel or unit are responsible for each Financial Management Guide item. As used in this Exhibit, the term “standards” is synonymous with “procedures.”

For convenience, certain questions that address financial requirements contain citations to sources that served as the basis for the development of these questions (statute, regulation, NOFA, or grant agreement).

Grantees must identify the type of recipient receiving CDBG-DR grant funds:

	Grantee	
State Grantee	<input type="checkbox"/>	
Unit of Local Government (UGLG) Grantee	<input checked="" type="checkbox"/>	

PART A. FINANCIAL MANAGEMENT:

1.

The Grantee must have a system for accounting records to identify adequately the source and application of funds for CDBG-DR-funded activities. The Grantee can facilitate compliance with this requirement if it accounts for a HUD program in a separate accounting fund (e.g., Special Revenue Fund). Note, however, that HUD will not impose specific accounting requirements (such as requiring the Grantee to utilize an accrual basis of accounting).

	Grantee		HUD	
a) Does the Grantee have standards to ensure that accounting records contain information on the CDBG-DR grant award, authorizations, obligations, unobligated balances, assets, liabilities, expenditures, program income (as defined by the Notice), and interest?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	Yes	No

Provide Cross-Reference to Standards:

The City of San Marcos has developed a Financial Policy to achieve and maintain a long-term stable and positive financial condition through the use of sound financial management practices. The City annually reviews financial and budgeting policies and procedures to ensure compliance with the City’s Carter, Code of Ordinances, the Texas Local Government Co and other State and Federal mandates. Established financial policies are approved annually by City Council as part of the budget process. The scope of the policy covers budget, revenues, expenditures, capital improvements programs, financial planning, accounting, auditing, financial reporting, treasury management, debt management, and financial condition and reserves.

The City utilizes established guidelines for governmental fund accounting to ensure and demonstrate compliance with adequately segregating and identifying sources and uses of grant funded activities. To provide accurate, reliable reporting control, CDBG DR funds will be accounted for utilizing the City’s Special Revenue Fund and projects identified utilizing both individual General Ledger accounts and our Munis integrated Project module.

The City utilizes Tyler Technologies Munis Financial Management software to process financial transactions and provide reports. The City’s Financial Policies and Procedures, financial hardware and software, as well as, qualified staff provide for an effective overall system of financial management which meets or exceeds the following requirements:

- Accurate, current, and complete disclosure of financial results of financially assisted activities can be made in accordance with the financial reporting requirements of HUD or other granting agencies including sub-grantee monitoring
- The City maintains records which adequately identify the source and application of funds provided for financially-assisted activities
- These records identify the source and application of funds provided for financially-assisted activities
- These records contain information pertaining to grant or sub-grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.
- The City maintains effective control and accountability for all grant and grant sub-recipient grant cash, real and personal property, and other assets. The City safeguards all such property and assures it is used solely for authorize purposes.
- The City compares actual expenditures or outlays with budgeted amounts for all grant expenditures and analyzes relative to performance or productivity data.
- This City utilizes procedures to minimize the time elapsing between the transfer of funds from the US Treasury and disbursement by the City. Most grant funded activities are on a cost reimbursement basis. The City expends the fun and then requests reimbursement.

Public Law 114-113 Guide for Review of Financial Management

- The City will make available for review the financial records for a pre-award review of financial management system adequacy, as well as at any time subsequent to the award.
- The City also has an annual independent audit of the Comprehensive Annual Financial Report.

The above policies or standards are the responsibility of the Finance Director, Accounting Manager and accounting staff reporting to them. These standards are published in the City of San Marcos Financial Policy document, reviewed annually and rigorously maintained by the Finance Director.

	Grantee	HUD
b) Does the Grantee have standards to maintain adequate source documentation for the information identified in question 1(a)? (To determine compliance, a grantee may select a sample of accounting entries and determine whether they are supported by invoices, contracts, or purchase orders, etc.) [2 CFR 200.302(b)(3)]	<input checked="" type="checkbox"/> <input type="checkbox"/> Yes No	<input type="checkbox"/> <input type="checkbox"/> Yes No
c) Does the Grantee have standards established to provide a comparison of expenditures to the budget amounts for the CDBG-DR award? (NOTE: Grantees will usually demonstrate compliance with this requirement by making entries in its accounting records of the amounts budgeted/allocated for activities to be undertaken with the assistance provided under the HUD award which in turn facilitates preparation of financial statements that provide for such comparison.) [2 CFR 200.302(b)(5)]	<input checked="" type="checkbox"/> <input type="checkbox"/> Yes No	<input type="checkbox"/> <input type="checkbox"/> Yes No

Provide Cross-Reference to Standards:

In addition to the Standards noted in (b) above, The City of San Marcos utilizes access standards/security for all users of the electronic financial management system. Directors, Managers and Supervisors must request unique permissions for access for each job responsibility including levels of security and data access from the Information Technology department. The level of data access available to different positions is determined by the Director of Finance, Department Directors and the Information Technology Director.

The City also utilizes a Grant Accountant responsible for grant and project coordination to ensure all personnel involved with a grant are aware of their responsibilities regarding the grant. Grant project files are maintained containing the grant award, budget information, unobligated balances, assets, liabilities, expenditures, program income, contracts, and City Council authorizations.

The above standards are the responsibility of accounting staff, Accounting Manager, the Director of Finance, and the Information Technology Manager.

	Grantee		HUD	
d) Does the Grantee have standards requiring it to enter in its accounting records an encumbrance/obligation when contracts are executed, purchase orders issued, etc.? [2 CFR 200.302(b)(3)]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	Yes	No

Provide Cross-Reference to Standards:

The financial management system in place allows for capture of extensive information including funding sources, activity ID's, funds obligated and expended. Staff is able to expediently retrieve any questioned transaction and query invoices, originators, approvers, activity dates, and determine whether goods or services identified are classified appropriately. Internal monitoring and external audit of Federal Expenditures provides additional assurance transactions are appropriately classified. Our City consistently receives a non-qualified opinion on compliance with expenditure of federal awards. Part VI of the City of San Marcos Financial Policies addresses expenditure policies. The City utilizes an encumbrance accounting system which alerts Department Directors of budgeted funds obligated against contracts. Contracting authority on behalf of the City is as follows:

- \$0 - \$2,999.99 Department Director or Chief
- \$3,000 - \$14,999.99 Assistant City Manager or authorized designee
- \$15,000 and above City Manager or authorized designee
- Contract renewals Purchasing Manager

The Purchasing Division is responsible for the management of all City contracts. City departments will send all contracts to the Purchasing Division for entering into the Tyler-Munis financial system. All change orders, authorization of change in services, and final payment requests will come through the Purchasing Division for review and contract compliance for further processing.

	Grantee		HUD	
e) Does the Grantee have standards to identify expenditures in its accounting records according to eligible activity classifications specified in the statute, regulations, or grant agreement that clearly identify the use of CDBG-DR funds for eligible activities?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	Yes	No

Provide Cross-Reference to Standards:

In the case of the City’s current CDBG award, expenditures are classified by administrative and project delivery costs and then further classified by approved activity. These functions are conducted by the CDBG Program Administrator and reviewed by the accountant responsible for grant and project coordination. Budgets are monitored by activity categories with unobligated balances available at any time. Individual projects are monitored by project name and number. The financial management system in place allows for capture of extensive information including funding sources, activity ID’s, funds obligated and expended. Staff is able to expediently retrieve any questioned transaction and query invoices, originators, approvers, activity dates, and determine whether goods or services identified and classified appropriately. Internal monitoring and external audit of Federal Expenditures provides additional assurance transactions are appropriately classified.

Our City consistently receives a non-qualified opinion on compliance with expenditure of federal awards.

f) Does the Grantee have standards to ensure information on obligations, expenditures, and program income (as defined by the Notice) submitted to HUD in the Disaster Recovery and Grant Reporting System (DRGR), Quarterly Performance Reports (QPR), or other applicable report(s), reconcile with the Grantee’s accounting records for time periods reviewed? NOTE: If the Grantee maintains its records on other than an accrual basis, it must be able to support accrual data for its reports on the basis of the documentation on hand. [2 CFR 200.302(b)(3)]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	Yes	No

Provide Cross-Reference to Standards:

As an entitlement community, the City of San Marcos receives an annual CDBG allocation which requires a similar financial management process as required by CDBG-DR. The City already has in place a structural framework to manage CDBG DR funds due to its existing CDBG grant with HUD. The City’s financial management systems provide detailed information to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award, including records retention, documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. In the case of the City’s current CDBG award, expenditures are classified by administrative and project delivery costs and then further classified by approved activity. Budgets are monitored by activity categories with unobligated balances available at any time. The Internal monitoring and external audit of Federal Expenditures provides additional assurance transactions are appropriately classified. Our

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City consistently receives a non-qualified opinion on compliance with expenditure of federal awards. We are aware of differences that exist between the CDBG grant programs and the CDBG DR program and will make the appropriate adjustments in order to comply with Public Law 114-113. We intend to contract with an outside firm to assess our internal control environment and provide the internal audit function required by the DR Grant.

2.

	Grantee		HUD	
Does the Grantee have standards to maintain adequate control over all funds, property, and other assets to ensure they are used solely for authorized purposes? See questions below that are related to internal controls. [2 CFR 200.302(b)(4)]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	Yes	No
Provide Cross-Reference to Standards:				
The City already has in place a structural framework to maintain adequate controls over CDBG DR funds, property, and other assets due to its existing CDBG grant with HUD. The City’s financial management systems provide tools to maintain control over the funds and the associated assets and property. In the case of the City’s current CDBG award, expenditures are classified by administrative and project delivery costs and then further classified by approve activity. Budgets are monitored by activity categories with unobligated balances available at any time. Funds are held in unique accounts and use of these funds must be approved through the financial system. Assets and property are recorded through the fixed asset system and are uniquely identified when acquired. The Internal monitoring and external audit of Federal Expenditures provides additional assurance that funds, property, and assets are used solely for authorized purposes.				

PART B. INTERNAL CONTROLS:

The Grantee must establish and maintain effective internal controls over the Federal award that provides reasonable assurance that the Grantee is able to manage the Federal award in compliance with this part. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States (known as the "Green Book") or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The definitions of internal control in these documents are intentionally broad. The evaluation of the effectiveness of the Grantee's internal control system likewise must cover a broad range of considerations (e.g., procurement, cost principles,). Further, the audit requirements in 2 CFR part 200, Subpart F include procedures to evaluate the auditee's internal control system. Therefore, the questions below are limited in scope. However, the HUD reviewer should take these considerations into account, together with the questions below, in making an overall assessment of the adequacy of the Grantee’s internal controls.

3.

	Grantee		HUD	
a) Does the Grantee have standards to perform a self-assessment of its internal control system? [2 CFR 200.303(a)]	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	Yes	No
Provide Cross-Reference to Standards: Part XIII of the City’s Financial Controls policy requires written procedures for cash handling and accounting functions throughout the City. The City of San Marcos’ latest audit did not reveal any material weaknesses or deficiencies. As an entitlement area, the City of San Marcos receives an annual CDBG allocation which requires a similar financial management process as required by CDBG-DR. Therefore, the City already has in place an internal control framework to manage the funds. The City’s CDBG program has developed a monitoring strategy that targets a sampling of projects or activities. This sampling is based on risk factors associated with various types of projects and/or Grant Recipients. To comply with the requirements of PL 114-113 the City will contract with a qualified firm to assess internal controls and provide the internal audit function required by the CDBG DR Grant.				
b) Does the Grantee have standards to take reasonable measures to safeguard protected personally identifiable information (PII) and other information that HUD or a pass-through entity designates as sensitive, or the Grantee considers sensitive, consistent with applicable Federal, state, local, and tribal laws regarding privacy and obligations of confidentiality? (HUD shall verify that the Grantee has a written policy for protecting PII and other safeguard measures.) [2 CFR 200.303(e)]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	Yes	No

Provide Cross-Reference to Standards:

Sections 6.20 & 6.30 of the Human Resources policy manual strictly limits access to an employee's personnel file to the employee, the employee's designated representative (upon presentation of written authorization stating representative's name), and management staff of the City who have a legitimate need for access, unless the Texas Public Information Act requires disclosure.

Original personnel files will not be removed from the Human Resources Department and will be reviewed in the presence of a Human Resource Department employee. Production of such files pursuant to an order of a court or agency will be in accord with applicable law. Requested material will be reproduced by Human Resources Department staff only upon approval of the City Manager or the Director of Human Resources.

All requests for information concerning current, temporary or past employees must be referred to the Human Resources Department to protect the employee's right to privacy. An individual, other than Human Resources Department staff, who provides reference/recommendation will be subject to disciplinary action up to and including termination. Only the following information will be released by the Human Resources Department on telephone inquiry:

1. Employee name
2. Position(s) held with City
3. Confirmation of salary
4. Length of service

	Grantee		HUD	
c) Does the Grantee have the ability to submit an organization chart that sets forth the actual lines of responsibility for the CDBG-DR award?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	Yes	No

Provide Cross-Reference to Standards:

The City of San Marcos has developed a draft organization chart included as part of the Implementation Plan in the Risk Analysis process. The chart will be updated as programs are developed and staffing requirements are assessed.

d) Does the Grantee have standards to ensure duties and responsibilities are segregated (to the extent practicable) so that no one individual has complete authority over a financial transaction? (For example, the Grantee's procedures preclude one person from issuing purchase orders, receiving merchandise, and approving payment vouchers.)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	Yes	No

Provide Cross-Reference to Standards:

The City provides an adequate segregation of duties to safeguard Federal award assets. The roles and responsibilities of the Finance staff is detailed in their employee position descriptions. There is a strict division of duties that distributes the work between those who prepare entries and those who approve entries. Persons approving transactions do not prepare checks, receipts, transfers, or adjusting entries. Every position responsible for financial transactions has a different level of data and functional access to the financial management system with all transactions requiring approval through established workflows. Various levels of access may be requested by supervisors, then approved by the Director of Finance and ultimately administered by the Tyler Program Specialist as instructed by the Director of Finance.

PART C. BONDS:

4.

	Grantee	HUD
a) Does the Grantee have standards to ensure fidelity bond coverage will be obtained for the responsible officials? [2 CFR 200.304(b)]	<input checked="" type="checkbox"/> <input type="checkbox"/> Yes No	<input type="checkbox"/> <input type="checkbox"/> Yes No
<p>Provide Cross-Reference to Standards: The City carries blanket Public Employee Dishonesty Insurance Coverage for all City employees. The policy will pay for loss of, and loss from damage to, covered property resulting directly from a Covered Cause of Loss. Blanket coverage includes:</p> <ol style="list-style-type: none"> 1. Covered Property: Money, securities, and property other than money and securities. 2. Covered Causes of Loss: Employee dishonesty. 3. Coverage Extension - Employees Temporarily Outside Coverage Territory: The Fund will pay for loss caused by any employee while temporarily outside the territory specified in the General Conditions for a period not more than 90 days. <p>In addition all Federal Award sub-recipients are required to carry fidelity bonding coverage for all employees in an amount equal to cash advances from the City.</p>		
b) If the answer to 5(a) above is yes, does the Grantee’s standards ensure the bond will be from a company holding a certificate of authority as an acceptable surety, as prescribed in 31 CFR Part 223, <i>Surety Companies Doing Business with the United States</i> ? [2 CFR 200.304(c)]	<input checked="" type="checkbox"/> <input type="checkbox"/> Yes No	<input type="checkbox"/> <input type="checkbox"/> Yes No
<p>Provide Cross-Reference to Standards: Award Sub-recipients shall comply with the bonding and insurance requirements of 31 CFR Part 223 when selecting a fidelity bond provider and utilize only bonding companies with a certificate of authority issued by the Secretary of the Treasury. This language will be added to the Sub-recipient Agreement template.</p>		

PART D. PAYMENT AND FINANCIAL REPORTING:

5.

	Grantee	HUD
<p>a) If the Grantee is a State, payments under awards that are not governed by a Treasury-State Cash Management Improvement Act (CMIA) agreement, or are not otherwise covered by subpart A of 31 CFR Part 205, must comply with subpart B of that part. If the CDBG-DR award is subject to subpart B, does the Grantee have standards to ensure the timing and amount of funds transfers as close as is administratively feasible to the State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs? [2 CFR 200.305(a); 31 CFR 205.33(a)]</p>	<p><input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/></p> <p>Yes No NA</p>	<p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p> <p>Yes No NA</p>
<p>Provide Cross-Reference to Standards:</p>		
<p>b) If the State transfers grant funds to sub-recipients, does the State have a system to minimize the time elapsing between the receipt of funds from the Federal government and the transfer of funds to the sub-recipients? [2 CFR 200.305(a); 31 CFR Part 205, Subpart B]</p>	<p><input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/></p> <p>Yes No NA</p>	<p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p> <p>Yes No NA</p>
<p>Describe Basis for Conclusion:</p>		

6.

<p>a) If the Grantee is not a State and transfers grant funds to sub-recipients, does the Grantee have standards to ensure the time elapsing is minimized between the receipt of funds from the Federal government and the transfer of funds to the sub-recipients? [2 CFR 200.305(b)]</p>	<p><input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p> <p>Yes No NA</p>	<p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p> <p>Yes No NA</p>
<p>Provide Cross-Reference to Standards:</p> <p>The CDBG sub-recipient agreements establish that grants are on a reimbursement basis. If City approves advanced funding the sub-recipient agreement specifies the terms of the advanced funding in the sub-recipient agreement and funds are advanced upon receipt.</p>		

	Grantee			HUD		
<p>b) If the Grantee is not a State, and requests funds in advance, do the Grantee’s standards allow the Grantee to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by the Grantee for direct program or project costs and the proportionate share of any allowable indirect costs; and are the advance payments limited to the minimum amounts needed and timed to be in accordance with the actual, immediate cash requirements of the Grantee in carrying out the purpose of the approved project or program? (NOTE: The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the Grantee.) [2 CFR 200.305(b)(1)]</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	NA	Yes	No	NA
<p>Provide Cross-Reference to Standards: The City operates the CDBG program on a reimbursement basis</p>						

7.

<p>If a Grantee holds cash advances in excess of three business days, including cash advances provided to sub-recipients, does the Grantee have standards to provide a sufficient justification? (NOTE: Holding cash advances for a period longer than three business days is not a violation <i>per se</i>; it may become a preliminary screening measure to determine whether further explanations are required).</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	NA	Yes	No	NA
<p>Provide Cross-Reference to Standards:</p>						

8.

<p>a) Does the Grantee have standards to disburse funds available from program income (as defined by the Notice), including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments? [2 CFR 200.305(b)(5)]</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	Yes	No
<p>Provide Cross-Reference to Standards: In accordance with CDBG requirements any program income available to a specific program is utilized prior to requesting a drawdown of funds. Program income is identified in separate accounts and identified in accordance with the source of income</p>				

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	Grantee	HUD
<p>b) Does the Grantee have standards to ensure advance payments of HUD funds will be deposited and maintained in insured accounts whenever possible? [2 CFR 200.305(b)(7)(ii)]</p>	<p><input type="checkbox"/> <input checked="" type="checkbox"/></p> <p>Yes No</p>	<p><input type="checkbox"/> <input type="checkbox"/></p> <p>Yes No</p>
<p>Provide Cross-Reference to Standards: The City does not currently utilize advance payments from HUD.</p>		
<p>c) If the Grantee receives grant advances, does the Grantee have standards to maintain the advance payments in an interest bearing account or meet one of the following exceptions? i. The Grantee receives less than \$120,000 in Federal awards per year. ii. The best reasonably available interest-bearing account would not be expected to earn interest in excess of \$500 per year on Federal cash balances. iii. The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources. [2 CFR 200.305(b)(8)]</p>	<p><input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/></p> <p>Yes No NA</p>	<p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p> <p>Yes No NA</p>
<p>Provide Cross-Reference to Standards:</p>		

9.

<p>If grant advances will be deposited into an interest-bearing account, does the Grantee have standards for remitting interest income in excess of \$500 annually to the Department of Health and Human Services Payment Management System (PMS) through an electronic medium using either the Automated Clearing House (ACH) network or a Fedwire Funds Service payment? [2 CFR 200.305(b)(9)]</p>	<p><input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/></p> <p>Yes No NA</p>	<p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p> <p>Yes No NA</p>
<p>Provide Cross-Reference to Standards:</p>		

PART E. COST SHARING OR MATCHING:

11.

	Grantee			HUD		
<p>Does the Grantee have standards to ensure contributions meeting cost sharing or matching requirements, including cash and third party in-kind contributions, meet the following criteria:</p> <p>a. Are verifiable from the Grantee's records;</p> <p>b. Are not included as contributions for any other Federal award;</p> <p>c. Are necessary and reasonable for accomplishment of project or program objectives;</p> <p>d. Are allowable under Subpart E—Cost Principles;</p> <p>e. Are not paid by the Federal Government under another Federal award, except as authorized by Federal statute;</p> <p>f. Are provided for in the approved budget when required by HUD; and</p> <p>g. Conform to other provisions of 2 CFR part 200, as applicable?</p> <p>h.[2 CFR 200.306(b)]</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>				
	Yes	No	NA	Yes	No	NA
<p>Provide Cross-Reference to Standards:</p> <p>If matching funds for a current CDBG project are provided by other federal or state or non-profit sources, the funds are accounted for separately in the financial system. The contributions are identified by source and project to be funded by those matching funds. The City also complies with additional regulations of the funding agency.</p> <p>As a recipient of matching funds for a CDBG project, if matching funds are provided by other federal or state or non-profit sources, the City documents:</p> <ul style="list-style-type: none"> • The amount of funds actually received from each source; • The scope of the project funded through sources other than CDBG program (to confirm that the funds are a match to the CDBG funded project); and • Completion of that project 						

12.

<p>a) Does the Grantee have a system to identify unrecovered indirect costs included as a contribution for cost sharing or matching purposes?</p> <p>(NOTE: Unrecovered indirect costs are the difference between the amount charged to the HUD award and the amount which could have been charged to the HUD award under the Grantee' approved negotiated indirect cost rate.)</p> <p>[2 CFR 200.306(c)]</p>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	Yes	No

<p>Describe Basis for Conclusion: The City's current CDBG grant is charged only the direct costs of program delivery. CDBG sub-recipients also charge only direct costs of program delivery. Indirect costs associated with the CDBG grant are funded by the City. We are aware of the variances that exist between our current programs and the CDBG DR program. The City is taking the appropriate steps to develop a HUD approved cost allocation plan to incorporate indirect costs. Utilizing the Uniform Guidance in [2 CFR Part 200] Sections 200.27, 200.56, 200.57, 200.416 and Appendices IV, V & VI. We will develop a plan to allocate both direct and indirect costs which will comply with Public Law 114-113.</p>				
	Grantee		HUD	
b) Does the Grantee have standards to request prior HUD approval of such inclusion? [2 CFR 200.306(c)]	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	Yes	No
<p>Provide Cross-Reference to Standards: As indicated in part (a. above, current CDBG program delivery does not include indirect cost charges. The City is aware of the need for an indirect cost allocation plan to comply with CDBG DR requirements. As we move forward with our Action Plan and project development, the City will utilize internal staff, as well as qualified consultants to develop an allocation plan and incorporate into an Action Plan amendment that would be vetted through HUD for approval.</p>				
c) Does the Grantee have standards to identify the non-cash contributions valued in accordance with the requirements at 2 CFR 200.306(d) through (j)? [2 CFR 200.306(d)-(j)]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	Yes	No
<p>Provide Cross-Reference to Standards: The City's has not had occasion to provide non-cash property to the CDBG or other Federal programs to-date however we are aware of the requirements of CFR 200.306(d) through (j). In the event, a Federal agency authorizes the City to donate non-cash long-term use property for cost sharing, the City will establish a written policy to record property at the lesser of:</p> <p>(1) The value of the remaining life of the property recorded in the City's accounting records at the time of donation.</p> <p>(2) The current fair market value of the donated property</p>				

PART F. PROGRAM INCOME:

12.

	Grantee			HUD		
If revenue-generating activities will be undertaken (e.g., rehabilitation loans, economic development loans), does the Grantee have a system to establish revenue accounts in its accounting records to record program income (as defined by the Notice)? [2 CFR 200.302(b)(3)]	<input checked="" type="checkbox"/>	<input type="checkbox"/>				
	Yes	No	NA	Yes	No	NA
<p>Describe Basis for Conclusion: The City's financial system and internal control environment provide for effective control over, and accountability for, all funds, property, and other assets. Our financial and inventory systems, as well as our system of internal controls more than adequately safeguards all assets and assures they are used solely for authorized purposes. Program income is occasionally generated by a supported activity or earned as a result of our current CDBG award program. This income is generally limited to early repayment of housing incentive loans. Program income generated with Federal awards is accounted for in a Special Revenue fund and is identified in the Chart of Accounts by Federal agency and related project</p>						

13.

a) Does the Grantee have a system to track program income (as defined by the Notice) generated by sub-recipients? [2 CFR 200.302(b)(4)]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	Yes	No
<p>Describe Basis for Conclusion: Some current CDBG sub-recipients generate monthly rental income. This income is used to offset operating expenses of the non-profit sub-recipient. All sub-recipients are subject to the same Federal guidelines for safeguarding assets as is the City. Our current sub-recipient agreement Part VIII(C).(1.) requires sub-recipient shall report all program income (as defined at 24 CFR 570.500(a)) generated by activities carried out with CDBG funds made available under this contract in the form, content, and frequency as required by the City. The City currently requires monthly financial reporting from sub-recipient entities.</p>				
b) Does the Grantee have a system to track program income (as defined by the Notice) retained by the sub-recipient for ensuring that such income is reported in a timely and accurate manner? [2 CFR 200.302(b)(2)]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	Yes	No
<p>Describe Basis for Conclusion: As described in part a) above, CDBG sub-recipients are required to submit monthly financial statements. The CDBG sub-recipient agreement requires all program income earned by activities carried out with CDBG funds to be reported. Program income generated may be retained by the sub-recipient. Our sub-recipient agreement requires any program income to be dispersed prior to requesting additional cash withdrawals. All sub-recipients are subject to the same Federal guidelines for safeguarding assets as is the City.</p>				

	Grantee	HUD
c) Upon expiration of any agreements between the Grantee and its sub-recipients, does the Grantee have a system to ensure the timely transfer of any funds required to be returned to the Grantee; and/or the timely transfer of outstanding loans or accounts receivable? [2 CFR 200.302(b)(4)]	<input checked="" type="checkbox"/> <input type="checkbox"/> Yes No	<input type="checkbox"/> <input type="checkbox"/> Yes No
Describe Basis for Conclusion: The City's sub-recipient agreement for receipt of CDBG funds requires return of all unexpended program income be returned to the City at the end of the contract period (period for performance). The City also reserves the right to withhold payment of any disbursement until the City has reviewed and approved payment requests and all supporting documentation supplied. Payments are adjusted by the City in accordance with advance funding and program income balances.		

14.

Does the Grantee have standards to ensure that it will comply with the requirements governing the reporting on receipt and use of program income in the Disaster Recovery Grant Reporting System (DRGR)? [2 CFR 200.302(b)(2)]	<input checked="" type="checkbox"/> <input type="checkbox"/> Yes No	<input type="checkbox"/> <input type="checkbox"/> Yes No
Provide Cross-Reference to Standards: As required by the HUD CDBG programs, the City's financial system accounts for any CDBG related program income in separate accounts which identify the income source (project). Any program income must be reported as part of the CDBG IDIS reporting system and also in the Quarterly SF-425 submitted to HUD. In addition, all program income generated from a project is utilized prior to requesting a drawdown of CDBG funds. We are aware of the variances that exist between our current programs and the CDBG DR program and will develop additional procedures for safeguarding program income if CDBG DR projects selected are indeed generating revenue.		

PART G. REVISION OF BUDGET AND PROGRAM PLANS:

15.

	Grantee	HUD
a) Does the Grantee have standards to ensure that any changes made to the approved project’s budget, scope, or objectives will be identified to HUD?	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Yes No NA	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Yes No NA
<p>Provide Cross-Reference to Standards: The City’s Citizen Participation Plan identifies circumstances which trigger a substantial amendment requiring HUD approval. The City will establish a policy for notifying HUD of changes which do not require substantial amendment.</p>		
b) Does the Grantee have standards to require HUD approval before making any of the following changes to a non- construction award? <ul style="list-style-type: none"> i. Change in the scope or the objective of the project or program (even if there is no associated budget revision requiring prior written approval). ii. Change in a key person specified in the application of the Federal award. iii. The disengagement from the project for more than three months, or a 25 percent reduction in time devoted to the project, by the approved project director or principal investigator. iv. The inclusion, unless waived by HUD, of costs that require prior approval in accordance with Subpart E— Cost Principles of 2 CFR part 200, or 45 CFR part 75 Appendix IX, <i>Principles for Determining Costs Applicable to Research and Development under Awards and Contracts with Hospitals</i>, or 48 CFR part 31, <i>Contract Cost Principles and Procedures</i>, as applicable. The transfer of funds budgeted for participant support costs as defined in §200.75, <i>Participant support costs</i> , to other categories of expense. <ul style="list-style-type: none"> v. Unless described in the application and funded in the approved Federal awards, the subawarding, transferring or contracting out of any work under a Federal award, including fixed amount subawards as described in vi. §200.332, Fixed amount subawards (this provision does not apply to the acquisition of supplies, material, equipment or general support services). vii. Changes in the approved cost sharing or matching provided by the Grantee. viii. The need arises for additional Federal funds to complete the project. [2 CFR 200.308(c)(1)]	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Yes No NA	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Yes No NA

Provide Cross-Reference to Standards:

- i. The City’s Purchasing Policy provides guidance and the procedures for requesting and adopting changes in the scope or the objective of a project
- ii. The City of San Marcos has developed a draft organization chart included as part of the Implementation Plan in the Risk Analysis process. As part of our Action Plan Amendments, our organization chart will be updated as key staffing requirements are assessed and staffed
- iii. The City’s current CDBG program has procedures in place to request HUD approval for changes in project scope, objectives or key personnel. As we develop our program implementation plan for CDBG DR funding, we will incorporate procedures to notify and request HUD approval for changes in the scope or the objective of the project or program. Procedures will include Action Plan Amendments in the case of significant changes.
- iv. N/A - Subpart E— Cost Principles of 2 CFR part 200, or 45 CFR part 75 Appendix IX, *Principles for Determining Costs Applicable to Research and Development under Awards and Contracts with Hospitals*, or 48 CFR part 31, *Contract Cost Principles and Procedures will not apply to the City’s CDBG DR programs*
- v. Current CDBG policies and subrecipient agreements clearly outline the requirements for any budget adjustments. We will establish a similar policy for the CDBG DR grant as we formulate our program implementation plan.
- vii. Changes in the approved cost sharing or matching fund provided by the Grantee will be in an Action Plan amendment that would be vetted through HUD for approval. It will be identified in the Action Plan.
- viii. As City staff and our consultants develop an action plan we will incorporate procedures for notifying HUD and requesting a change in funds allocated. We will incorporate language into our action plan when original budgeted funds will not meet the need of a particular project due to unforeseen circumstances. Such language to include, “the grantee (or “the City”) will notify HUD and request additional funding if reallocation of funds within the grant cannot be accomplished.”

16.

	Grantee			HUD		
Does the Grantee have standards to require HUD approval before making any of the following budget revisions whenever (a), (b), or (c) below applies to a construction award?	<input checked="" type="checkbox"/>	<input type="checkbox"/>				
	Yes	No	NA	Yes	No	NA
a. The revision results from changes in the scope or the objective of the project or program.						
b. The need arises for additional Federal funds to complete the project.						
c. A revision is desired which involves specific costs for which prior written approval requirements may be imposed consistent with applicable OMB cost principles listed in 2 CFR part 200, Subpart E—Cost Principles. [2 CFR 200.308(g)]						

Provide Cross-Reference to Standards:

The City will institute standards upon identification of projects that will require a request for approval from HUD prior to undertaking substantial changes in the scope of approved projects. As indicated in 15(b)(viii) above we will incorporate language into our action plan to notify HUD and request changes in budgeted Federal funds. The City will report deviations from the budget and request approval from HUD should a revision be required or desired pertaining to costs that required prior written approval from HUD.

PART H. PERIOD OF PERFORMANCE:

17.

	Grantee		HUD	
Does the Grantee have standards to ensure it will charge to the HUD award only allowable costs (except as described in §200.461, <i>Publication and printing costs</i>) incurred during the period of performance and authorized pre-award costs? [2 CFR 200.309]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	Yes	No
<p>Provide Cross-Reference to Standards:</p> <p>City staff already have experience with monitoring the expenditures of its CDBG programs. With the City’s current allocation of CDBG funds, the City of San Marcos’s Department of Planning and Development Services, Community Initiatives Division maintains detailed spreadsheets monitoring the expenditure of funds and project schedules. The City uses Tyler Technologies Munis as its enterprise financial software, annual budget performance measures and several project management applications including Microsoft Project, Access and BaseCamp to manage complex projects, expenditures and milestones. A subcommittee of the City Council, as a part of its adopted Financial Policy, monitors quarterly expenditures of all major fund categories. The City, through an outside integrity insurance reporting tool called Lighthouse Services, Inc., adheres to an Open Government Policy adopted by the City Council to ensure transparency. However, due to the enormity of the CDBG-DR grant to the City, the City will adapt and enhance its current processes by establishing standard tracking mechanisms, processes and templates to ensure consistency and continuity among program activities. The City of San Marcos will also maximize its use of technology to support and augment any standard processes instituted to ensure timely expenditure of funds during the period of performance</p>				

PART I. RECORD RETENTION AND ACCESS:

18.

	Grantee		HUD	
Does the Grantee have standards to comply with applicable record retention and access requirements? [24 CFR 570.502; or 24 CFR 570.490]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	Yes	No
<p>Provide Cross-Reference to Standards: The City is committed to full and complete financial disclosure, and to cooperating with credit rating agencies, institutional and individual investors, City departments, other levels of government, and the general public to share clear, comprehensible and accurate financial information. To this end, the City complies with the requirements outlined in 24 CFR 570.502</p> <p>(i) For recipients:</p> <p>(A) The City shall comply with 2 CFR 200.333 requirements and with the additional records retention requirements outlined below. Records pertinent to Federal awards shall be retained, at a minimum, 4 years from the date of execution of the closeout agreement for a grant</p> <p>(B) Records for individual activities subject to the reversion of assets provisions at § 570.503(b)(7) or the change of use provisions at § 570.505 will also be retained for 4 years after those provisions no longer apply to the activity;</p> <p>(C) Records for individual activities for which there are outstanding loan balances, other receivables, or contingent liabilities will be retained for 3 years after the receivables or liabilities have been satisfied.</p> <p>(ii) For subrecipients:</p> <p>(A) The retention period for individual CDBG activities shall be the longer of 3 years after the expiration or termination of the sub-recipient agreement under § 570.503, or 3 years after the submission of the annual performance and evaluation in which the specific activity is reported on for the final time;</p> <p>(B) Records for individual activities subject to the reversion of assets provisions at § 570.503(b)(7) or change of use provisions at § 570.505 must be maintained for as long as those provisions continue to apply to the activity; and</p> <p>(C) Records for individual activities for which there are outstanding loan balances, other receivables, or contingent liabilities must be retained until such receivables or liabilities have been satisfied.</p>				

PART J. AUDIT REQUIREMENTS:

Instructions: A Grantee that expends \$750,000 or more during the Grantee’s fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of 2 CFR part 200, Subpart F, *Audit Requirements*. Grantees that provide Federal awards to sub-recipients are referred to as “pass-through entities.” A sub-recipient must also have a single or program-specific audit if it meets the \$750,000 expenditure threshold. Pass-through entities are required by 2 CFR 200.331 to ensure compliance with Subpart F. A Grantee that expends less than \$750,000 in Federal awards during the entity's fiscal year is exempt from audit requirements for that year, except as noted in 2 CFR 200.503. This section of questions is designed to assist the HUD reviewer in determining whether the Grantee is able to comply with the required elements of an audits management system.

19.

	Grantee	HUD
Does the Grantee have standards to meet the annual expenditure threshold (\$750,000) for having a single or program-specific audit conducted? If “no,” skip questions 22 through 27.	<input checked="" type="checkbox"/> <input type="checkbox"/> Yes No	<input type="checkbox"/> <input type="checkbox"/> Yes No
<p>Provide Cross-Reference to Standards: The City annually exceeds the \$750,000 threshold requiring a Single Audit of Expenditure of Federal Awards. Our most recent Single Audit of Expenditures of Federal Awards is included in Attachment 1 of our risk analysis</p>		

20.

a) Does the Grantee have standards to procure or arrange for the audit services in accordance with the procurement standards at 2 CFR 200.317 – 200.326? [2 CFR 200.508(a) and 2 CFR 200.509]	<input checked="" type="checkbox"/> <input type="checkbox"/> Yes No	<input type="checkbox"/> <input type="checkbox"/> Yes No
<p>Provide Cross-Reference to Standards: The City’s Purchasing Department has undergone a thorough review of Procurement Standards [2 CFR 200.317 – 200.326 and revised our Procurement policy to comply with those requirements. In addition we have reviewed Subpart F-Audit Requirements to ensure compliance with the procuring of audit services. When procuring audit services, our objective is to obtain high-quality audits provided by experienced, qualified Independent Certified Public Accounting Firm. In requesting proposals for audit services, the objectives and scope of the audit are made clear and the City routinely requests a copy of the audit organization's peer review report which the auditor is required to provide. Factors considered in evaluating each proposal for audit services include the responsiveness to the request for proposal, relevant experience, availability of staff with professional qualifications and technical abilities, the results of peer and external quality control reviews, and price. As part of the City’s procurement process, we make positive efforts to utilize small businesses, minority-owned firms, and women's business enterprises, in procuring audit services.</p> <p>To comply with Federal agency requirements and GAGAS standards the City disallows our external auditors from preparing indirect cost proposals or cost allocation plans. The City does intend to contract with a qualified firm to assist in developing indirect cost arrangements and/or cost allocation plans used to recover costs incurred using CDGB DR funding.</p>		

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	Grantee	HUD
<p>b) Does the Grantee have standards to request for proposal audit services that clearly state the objectives and scope of the audit? NOTE: the Grantee requests a copy of the audit organization's peer review report which the auditor is required to provide under Generally Accepted Government Auditing Standards (GAGAS)? [2 CFR 200.509(a)]</p>	<input checked="" type="checkbox"/> <input type="checkbox"/> Yes No	<input type="checkbox"/> <input type="checkbox"/> Yes No
<p>Provide Cross-Reference to Standards: The City's Auditor Request for Proposal clearly states the scope and objectives of the audit including the preparation in accordance with GFOA standards and annual publishing the annual CAFR in accordance with GFOA and Single Audit of Expenditures of Federal Awards. The RFP clearly requires a copy of the proposing audit organization's peer review report</p>		
<p>c) Does the Grantee have standards to apply the factors, to be considered in evaluating the proposal for audit services which include the responsiveness to the request for proposal, relevant experience, availability of staff with professional qualifications and technical abilities, the results of peer and external quality control reviews, and price? [2 CFR 200.509(a)]</p>	<input checked="" type="checkbox"/> <input type="checkbox"/> Yes No	<input type="checkbox"/> <input type="checkbox"/> Yes No
<p>Provide Cross-Reference to Standards: Proposals submitted to the City are evaluated by a City appointed committee and evaluated by the criteria outlined in [2 CFR 200.509(a)] The various factors are assessed and potentially weighted by relative importance. Peer reviews and external quality control reviews are a significant part of procurement consideration as is experience with audits of Governmental entities. The City's overall procurement process also emphasizes utilization of local businesses, labor surplus area firms in procuring audit services as stated in §200.321</p>		
<p>d) Does the Grantee have standards to make positive efforts to utilize small businesses, minority-owned firms, and women's business enterprises, in procuring audit services as stated in §200.321, <i>Contracting with small and minority businesses, women's business enterprises, and labor surplus area firms?</i> [2 CFR 200.509(a)]</p>	<input checked="" type="checkbox"/> <input type="checkbox"/> Yes No	<input type="checkbox"/> <input type="checkbox"/> Yes No
<p>Provide Cross-Reference to Standards: As discussed in part c) above the City's procurement policy clearly identifies local and labor surplus area firms, in procuring audit services as stated in §200.321, <i>Contracting with small and minority businesses, women's business enterprises, and labor surplus area firms</i></p>		

21.

	Grantee	HUD
<p>Does the Grantee have standards for the auditee prepared financial statements, including the schedule of expenditures of Federal awards, required by 2 CFR 200.510? [2 CFR 200.508(b)]</p>	<input checked="" type="checkbox"/> <input type="checkbox"/> Yes No	<input type="checkbox"/> <input type="checkbox"/> Yes No
<p>Provide Cross-Reference to Standards: Auditee prepared financial statements are required to be submitted to the CDGB Program Manager and are subject to the same standards as the required by the Grantee for any expenditure of Federal awards.</p>		

22.

	Grantee	HUD
Does the Grantee have standards to promptly follow up and take corrective action on audit findings, including preparation of a summary schedule of prior audit findings and a corrective action plan in accordance with 2 CFR 200.511(b) and 2 CFR 200.511(c), respectively? [2 CFR 200.303(d) and 2 CFR 200.508(c)]	<input checked="" type="checkbox"/> <input type="checkbox"/> Yes No	<input type="checkbox"/> <input type="checkbox"/> Yes No
<p>Provide Cross-Reference to Standards: As part of the City’s annual audit process, when material weaknesses or significant deficiencies are identified, the Director of Finance working with other Finance staff, is required to submit a corrective action plan to a City appointed audit committee. The action plan must include the weakness or deficiency identified, current procedures in place and the additional procedures to be implemented to mitigate or eliminate the identified weakness/deficiency.</p>		

23.

	Grantee	HUD
Does the Grantee have a system to electronically submit to the Federal Audit Clearinghouse the data collection form described in 2 CFR 200.512(b) and reporting package described in 2 CFR 200.512(c) within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period? [2 CFR 200.512(a) and (d)]	<input checked="" type="checkbox"/> <input type="checkbox"/> Yes No	<input type="checkbox"/> <input type="checkbox"/> Yes No
<p>Provide Cross-Reference to Standards: The City’s annual audit process and Auditor requirements includes timely submission of reports by the Auditor to the Federal Audit Clearinghouse along with the appropriate data collection form. Once submitted the reports must be certified by an authorized City official, typically the Accounting Manager and the Auditor submitting such reports</p>		

24.

	Grantee	HUD
a) Does the Grantee have standards to inform sub-recipients of the 2 CFR part 200, Subpart F audit requirements at the time of the sub-award? [2 CFR 200.331(a)(2)]	<input checked="" type="checkbox"/> <input type="checkbox"/> Yes No	<input type="checkbox"/> <input type="checkbox"/> Yes No
<p>Provide Cross-Reference to Standards: The sub-recipient agreement clearly states the audit requirements of Subpart F which the sub-recipient must agree and certify to in order to be eligible for a sub-award</p>		
b) Does the Grantee have standards to verify that every sub-recipient is audited, as required by Subpart F, when it is expected that the sub-recipient's Federal awards expended during the respective fiscal year equaled or exceeded the \$750,000 expenditure threshold? [2 CFR 200.331(f)]	<input checked="" type="checkbox"/> <input type="checkbox"/> Yes No	<input type="checkbox"/> <input type="checkbox"/> Yes No

<p>Provide Cross-Reference to Standards: In addition to clearly stating the audit requirements of the sub-award within the sub-recipient agreement, the agreement also requires notification to the CDBG Program Administrator of receipt of awards from any other funding source. Failure to do so is a clear violation of the sub-recipient agreement. The Program Administrator is readily aware of any entity receiving HUD funding in excess of the Federal threshold. In addition, grant or other revenue is monitored by the Grant Accountant to identify the intended use of the funds and whether the Grantee has exceeded the Federal threshold</p>			
c) Does the Grantee have standards to ensure that the sub-recipients take timely and appropriate action on all deficiencies pertaining to HUD awards it provided to sub-recipients that were detected through audits, on-site reviews and other means? [2 CFR 200.331(d)(2)]	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> <input type="checkbox"/> Yes No
<p>Provide Cross-Reference to Standards: As part of the subrecipient agreement, the City will monitor the performance of the Subrecipient against goals and performance standards prescribed by the program objectives. Substandard performance as determined by the City will constitute noncompliance with this Agreement. The City will send written notification of noncompliance including a deadline for remedying the issue. If action to correct such substandard performance is not taken by the Subrecipient by the deadline given in the written notice, contract suspension or termination procedures will be initiated.</p>			
d) Does the Grantee have standards to issue a management decision for audit findings that relate to HUD awards that it makes to subrecipients? [2 CFR 200.331(d)(3)]	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> <input type="checkbox"/> Yes No
<p>Provide Cross-Reference to Standards: As part of the subrecipient agreement, All Subrecipient records with respect to any matters covered by the Agreement shall be made available to the City, grantor agency, and the Comptroller General of the United States or any of their authorized representatives, at any time during normal business hours, as often as deemed necessary, to audit, examine, and make excerpts or transcripts of all relevant data. Any deficiencies noted in audit reports must be fully cleared by the Subrecipient within 30 days after receipt by the Subrecipient. Failure of the Subrecipient to comply with the above audit requirements will constitute a violation of this contract and may result in the withholding of future payments.</p>			

25.

	Grantee		HUD	
Does the Grantee have standards to ensure that the HUD award is charged no more than a reasonably proportionate share of the costs of audits required by, and performed in accordance with 2 CFR part 200, Subpart F? [2 CFR 200.425(a)]	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> <input type="checkbox"/> Yes No	
<p>Provide Cross-Reference to Standards: Currently no CDBG funds are used to pay audit costs for the City or its subrecipients. The City will develop a cost allocation plan for CDBG DR grant audit expenses and will submit to HUD for approval</p>				

26.

<p>When an auditee expends Federal awards under only one Federal program and the Federal program's statutes, regulations, or the terms and conditions of the Federal award do not require a financial statement audit of the auditee, the auditee may elect to have a program-specific audit conducted in accordance with §200.507, <i>Program-specific audits</i>. When a program-specific audit is elected for a HUD program, the auditee and auditor must have basically the same responsibilities for the Federal program as they would have for an audit of a major program in a single audit. Answer the following questions only if the Grantee has elected to have a previous program-specific audit performed.</p>				
	Grantee		HUD	
<p>a) Does the Grantee have standards to ensure the auditee prepared the financial statement(s) for the HUD program that includes, at a minimum, a schedule of expenditures of Federal awards for the program and notes that describe the significant accounting policies used in preparing the schedule, a summary schedule of prior audit findings consistent with the requirements of 2 CFR 200.511(b), and a corrective action plan consistent with the requirements of 2 CFR 200.511(c)? [2 CFR 200.507(b)]</p>	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>Provide Cross-Reference to Standards: The City has not chosen to have any program specific audits performed.</p>				
<p>b) Does the Grantee have a system to electronically submit to the Federal Audit Clearinghouse the reporting package required by 2 CFR 200.507(c)(3) and the data collection form prepared in accordance with 2 CFR 200.512(b) within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period? [2 CFR 200.507(c)]</p>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>Provide Cross-Reference to Standards: The City's annual audit process and Auditor requirements includes timely submission of reports by the Auditor to the Federal Audit Clearinghouse along with the appropriate data collection form. Once submitted the reports must be certified by an authorized City official, typically the Accounting Manager and the Auditor submitting such reports</p>				