



2021 and 2022 Resiliency Planning Grant Program Policy Manual



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Version History

The version history of the policy manual is tracked in the table below, with notes for each change. The dates of each publication are also tracked in the table.

The Commonwealth will publish a new version after making substantive changes that reflect a policy change. The updated policy manual will be assigned a new primary version number such as 2.0, 3.0, etc.

After making non-substantial changes, such as minor wording and editing or clarification of existing policy that do not affect the interpretation or applicability of the policy, the Commonwealth will publish a version of the document with a sequential number increase behind the primary version number such as 2.1, 2.2, etc.

Amendments made to policy may go into effect on the date of the revision or may be applied retroactively, depending on the applicant pipeline and status of applicants in the program intake and recovery process. Whether a policy will be applied proactively or retroactively will be detailed in the version history below and/or within the relevant program sections.

Version Number	Date	Notes
1.0	April 2024	Initial Resiliency Planning Grant Program Policy Manual

1 Program Overview

1.1 Program Introduction

The Commonwealth of Kentucky was subject to severe weather events in 2021 and 2022 that caused flooding, landslides, mudslides, flooding, straight-line winds, tornados and severe storms. Consequently, the U.S. Department for Housing and Urban Development (HUD) allocated funds to support long-term recovery and mitigation efforts. Community Development Block Grant- Disaster Recovery (CDBG-DR) funding is designed to address the needs that remain after all other assistance has been exhausted. These plans detail how funds will be allocated to address the remaining unmet needs in Kentucky. To meet disaster recovery needs, enhance flexibility, and allow for quicker recovery, the statutes that make CDBG-DR funds available now have additional requirements and authorize HUD to modify the rules that apply to the annual CDBG program.

In response to the 2021 severe storms- HUD announced in February 2022 and January 2023 that the Commonwealth of Kentucky would receive a total of \$123,936,000 from two allocations to support long-term recovery and mitigation efforts following the 2021 severe storms, flooding, and tornadoes (DR-4595) and the 2021 severe storms, straight-line winds, flooding, and tornadoes (DR-4630) through the Kentucky Department of Local Government (DLG).

In response to the 2022 severe storm- HUD announced in May 2023, that the Commonwealth of Kentucky would receive \$297,994,000 in funding to support long-term recovery and mitigation efforts following the 2022 severe storms, flooding, landslides, and mudslides (DR-4663) through the Kentucky Department for Local Government (DLG).

In alignment with the Commonwealth of Kentucky's comprehensive approach to resilient recovery from the 2021 and 2022 severe storms the Commonwealth of Kentucky is launching the Community Development Block Grant- Disaster Recovery (CDBG-DR) Resilient Planning Program. The program will build on the existing efforts of the Commonwealth, local, and regional hazard mitigation, watershed, and resiliency planning. Resilience is defined as a community's ability to minimize damage and recover quickly from extreme events and changing conditions, including natural hazard risks.

Community Development Block Grant-Disaster Recovery (CDBG-DR) funds appropriated by Congress for recovery from 2021 and 2022 (DR-4595, DR-4630 and DR-4663) are the funding source of the Resilient Planning Program. CDBG-DR grants are administered by the U.S. Department of Housing and Urban Development (HUD) and are intended to address "unmet needs" not satisfied by other Federal and local recovery resources.

The purpose of this policy manual is to provide the overall objectives and process by which the Department of Local Government (DLG) will award CDBG-DR funds to eligible local government entities for prioritize projects that meet the definition of long-term resilience through the creation of comprehensive, local, and watershed plans that promote resilient land use, redevelopment, and long-term recovery as well as considering future risk conditions. The plans will enhance the value and integrity of the social, ecological, and economic resources in the region; improve public access and recreational opportunities; and reach underserved and socially vulnerable populations.

1.2 Program Description

Resilient Planning Program is a competitive grant program which provides funding to support local resilience and watershed planning that will help eligible impacted jurisdictions within HUD-identified and Commonwealth -identified “most impacted and distressed” (MID) areas become more resilient to current and future flood-related natural hazards. Eligible applicants will be responsible for the implementation, operation, and maintenance of awarded projects. The plans will enhance the value and integrity of the social, ecological, and economic resources in the region; improve public access and recreational opportunities; and reach underserved and socially vulnerable populations.

Applications will be accepted by DLG during an established application window. After the deadline for the application window, applications will be reviewed and selected by the Commonwealth. Proposals not awarded funds through the initial round may reapply for a subsequent round, pending availability.

1.3 Program Timelines

HUD guidelines require that all CDBG-DR funding allocated through this grant is disbursed within 6 years unless HUD grants an extension. To ensure projects funded through Resilience Planning are completed in a timely manner, applicants must propose projects that can be completed within a three (3) year period of performance. Proposals must include a detailed project timeline demonstrating completion within the three-year timeframe.

The expected outcome of each award is that the subrecipient will develop an actionable plan, in compliance with all program and compliance requirements. DLG will verify the completion of the plan or study, and the subrecipient will be required to provide a post-plan completion narrative to describe how the plan will be used and maintained after the CDBG-DR award is closed out.

Applicants must submit a project schedule that details specific milestones and spending timelines. Every quarter, DLG will require applicants to provide a status report on whether the project is on schedule and identify any risks, if applicable.

The period of performance will commence upon execution of a grant agreement between DLG and the subrecipient. DLG also may approve extensions to the period of performance,

contingent upon the overall grant timeline and HUD approval, provided the subrecipient demonstrates that good cause exists. Should a project's timeline exceed the overall grant expenditure deadline, extension of the period of performance will be subject to HUD approval. HUD may extend the performance period administratively if good cause for such an extension exists, as requested by DLG and approved by HUD.

1.4 Program Objectives

This program is designed to promote sound, sustainable long-term recovery and projects that account for the unique hazards, opportunities, underserved communities, and disaster impacts within Kentucky's impacted communities.

Types of activities could include, but are not limited to:

- **Updating or creating watershed plans by partnering with appropriate water basin coordinators.** DLG will provide funding for city, county, and tribal governments to work with the seven watershed planning areas to update or create watershed plans. Each of the seven watershed areas have a basin coordinator whose planning efforts are supported by the Kentucky Energy and Environment Cabinet. Together, the applicant and the basin coordinators will create a strategic watershed plan that will include projects to improve the water quality and reduce flood risk within the geographic watershed. Recommended actions could be constructing natural structures like wetland development, riparian buffers/filter strips, and stream back restoration. The planning processes should follow the Watershed Planning Guidebook for Kentucky Communities. There are HUD- and grantee-identified MID counties located in all seven basin districts. Most of the counties do not have a current watershed plan.
- **Developing local plans that focus on mitigation and resiliency.** Kentucky's planning allocation of CDBG-DR funds may also be used to create or update local comprehensive plans that emphasis resiliency and mitigation activities as they relate to housing development, public land use, and infrastructure. Plans can involve the development of updated local codes and standards to improve resilience, including using FEMA's Building Codes Toolkit or current IBC codes. Funding may also be used to develop floodplain ordinances with higher regulatory standards or other planning efforts designed for mitigation and resiliency. Applicants can work with the Kentucky Association of Mitigation Managers (KAMM) to provide information and best practices. KAMM membership includes local, Commonwealth, and federal officials; floodplain coordinators; planning and zoning officials; engineers; surveyors; GIS specialists; hydrologists; and public safety and emergency managers.

1.5 Program Funding Source

The Commonwealth of Kentucky has received funding from the U.S. Department for Housing and Urban Development (HUD) to respond to the storms of 2021 and 2022.

For the 2021 storms, HUD announced that the Commonwealth of Kentucky would receive a total of \$123,936,000 from two allocations. Initially, \$74,953,000 funding was allocated to support long-term recovery and mitigation efforts following the 2021 severe storms (DR4595 and DR-4630) through publication in the Federal Register, Vol. 87, No. 100, May 24, 2022 (87 FR 6326). This allocation was made available through the Disaster Relief Supplemental Appropriations Act of 2022 (Pub. L. 117-43) and approved on September 30, 2021 (the Appropriations Act). In January 2023, the U.S. Department of Housing and Urban Development (HUD) announced that the Commonwealth of Kentucky would receive an additional \$48,983,000 in Community Development Block Grant–Disaster Recovery (CDBG-DR) funding via publication in the Federal Register (FR), Vol. 88, No. 11, January 18, 2023 (88 FR 3198). This allocation was made available through the Continuing Appropriations Act, 2023 (Public Law 117–180), approved September 30, 2022.

Additionally, HUD announced in May 2023, that the Commonwealth of Kentucky would receive \$297,994,000 in funding to support long-term recovery and mitigation efforts following the 2022 severe storms, flooding, landslides, and mudslides (DR-4663) through the Kentucky Department for Local Government (DLG). Through publication in the Federal Register, Volume 88, Number 96, May 18, 2023 (88 FR 6393). This allocation was made available through the Continuing Appropriations Act, 2023 (Pub. L.117-180 Division A) and approved on September 30, 2022 (the Appropriations Act).

1.6 Program funding amounts

CDBG-DR Allocation	Amount of Funding available
2021	\$1,500,000
2022	\$1,500,000

1.7 Program Method of Distribution

There will be an open application window with deadlines and a competitive review process. DLG will receive the applications and make funding decisions based on the competitiveness and completeness of the application and justification for funding. DLG may coordinate with other Commonwealth partners, such as Kentucky Division of Water and KAMM, to provide technical assistance to communities in developing applications and assist with evaluating and scoring applications based on the criteria described in this plan.

1.8 Program Administration

DLG is responsible for oversight of the funds allocated for the project. DLG will retain the role of Responsible Entity, ensuring all activities and expenditures of the subrecipient and contractors meet statutory and regulatory program requirements. The subrecipient will be responsible for making sure DLG meets its regulatory requirements as the subrecipient directly undertakes the resiliency planning process.

Subrecipients will use the CDBG-DR subrecipient Manual and forms for administration and implementation of the CDBG-DR funds. Specific linked chapters from the manual are referenced throughout the policy.

1.9 Grant Requirements

1.9.1 National Objective

Planning activities do not require a national objective. Planning activities are presumed to meet a national objective under the requirements at 24 CFR 570.208(d)(4).

1.9.2 Disaster Tieback and Mitigation Activity

The Appropriations Act requires HUD to include in any allocation of CDBG–DR funds for unmet needs an additional amount of 15 percent for mitigation activities. Unlike recovery activities that “tie-back” to the specific disaster and address a specific unmet recovery need for which the CDBG–DR funds were appropriated, activities funded by the CDBG–DR mitigation set-aside do not require such a “tie-back” to the specific qualified disaster that has served as the basis for the Commonwealth’s allocation. Such mitigation set-aside activities must (1) meet HUD’s definition of mitigation activities; (2) address the current and future risks as identified in the mitigation needs assessment; (3) be CDBG-eligible activities under title I of the HCDA or otherwise eligible pursuant to a waiver or alternative requirement; and (4) meet a national objective.

The Commonwealth anticipates that 100% of projects funded through this program will meet the criteria of HUD’s mitigation set-aside. As such, Resilient Planning projects may address unmet recovery and mitigation needs in HUD-identified and Commonwealth-identified MID areas relating to 2021 and 2022 Severe Storms or may choose to propose mitigation activities responding to other types of natural hazards identified in the Mitigation Needs Assessment.

1.9.3 HUD and Commonwealth Identified Most Impacted and Distressed (MID) Areas

HUD requires funds to be used for costs related to unmet needs in the MID areas resulting from qualifying disasters. Kentucky is required to spend at least 80% of all CDBG-DR funds to benefit the HUD-identified MID areas. HUD provided Kentucky with the HUD-identified MID areas in the Allocation Announcement Notice.

The consolidated notice (87 FR 6326, 87 FR 6364 and 88 FR 6393) allows Kentucky to determine where to use up to 20% of the remaining amount of the CDBG-DR grant. The funds must be used to address unmet needs within areas that received a presidential disaster declaration. In addition to HUD’s identified MIDs, Kentucky has identified the other counties that will receive CDBG-DR funding. Projects funded through this program must take place within the following counties.

Eligible Areas:

2021 Severe Storms, Flooding, Landslides, Mudslides, Straight-line Winds, Tornadoes (DR-4630) and (DR-4595)

MID Areas		
HUD-Identified MID Areas	Graves County	Hopkins County
	Breathitt County (41339)*	Warren County (42101)*
Grantee-Identified MID Areas	Boyd County	Letcher County
	Caldwell County	Lincoln County
	Christian County	Logan County
	Clark County	Lyon County
	Clay County	Madison County
	Estill County	Magoffin County
	Floyd County	Marion County
	Fulton County	Marshall County
	Greenup County	Martin County
	Hart County	Morgan County
	Hickman County	Muhlenburg County
	Jackson County	Ohio County
	Johnson County	Owsley County
	Knott County	Perry County
	Laurel County	Pulaski County
	Lawrence County	Rockcastle County
	Lee County	Taylor County
Leslie County		

*Kentucky has decided to expand the HUD-identified MID areas in ZIP codes 41339, and 42101 to include the entire counties of Breathitt, Warren County.

2022 Sever Storm, Flooding, Landslide and Mudslide (DR-4663)

MID Areas		
HUD-Identified MID Areas	Breathitt County	Perry County
	Knott County	Pike County*
	Letcher County	
Grantee-Identified MID Areas	Casey County	Lincoln County
	Clay County	Magoffin County
	Cumberland County	Martin County
	Floyd County	Owsley County
	Harlan County	Powell County
	Johnson County	Whitley County
	Lee County	Wolfe County
Leslie County		

*Kentucky has decided to expand the HUD-identified MID areas to include the entirety of Pike County.

2 Application Process

2.1 Application

Applicants will apply for the program by completing the application on the DLG website. DLG is committed to ensuring a straightforward application process. Applicants have until the Resiliency Planning deadline to submit all required application materials. Only completed applications, including all required supporting documentation, will be considered for funding. Applications will only be accepted during the published application window.

2.2 Threshold Criteria

Application approval and associated funding allocations will be made through evaluation of threshold criteria related to the grant application and subject to funding availability. DLG will assess each application based on the response to the following criteria. These criteria are listed below.

- Be an eligible activity under CDBG-DR
- Have a proposed plan that will mitigate risk
- Be located in the disaster-impacted area
- DLG will establish weighted scoring that will assess such factors as the following:
 - Proposed project is located in one of the HUD- or grantee-identified MIDs (priority will be given to areas in the HUD-identified MID areas)
 - Proposed plan is in alignment with meeting the CDBG-DR goal of helping mitigate future disaster risks
 - Degree to which the proposed plan will consider and mitigate risks to members of protected classes, HUD-defined vulnerable populations, and historically underserved communities
 - Proposed plan will include a path for adopting and implementing the plan

2.3 Technical Review

Applications will be reviewed by DLG, who will bring in independent specialists, as necessary, to aid in the review as part of a technical scoring process. The review panel will generate individual scores using the established scoring criteria. The panel will meet regularly during the scoring process to discuss any widely divergent scores. Ultimately, the average of the scores will become the official composite score for each application. Only the application itself (including the requested attachments) will be scored. Any documents submitted with the application that were not requested will not be scored. Each element of the scoring criteria has a value associated with it.

2.4 Clarifications

During the application review process, applicants must respond promptly to any DLG requests for information/materials to complete the evaluation process. Any request for additional information will include a definitive due date for return of the requested information. If the applicant needs an extension, clarification, or assistance, the applicant may make its request within the allotted response timeframe. If an applicant fails to provide the requested information/materials or fails to ask for an extension or assistance, the application will be scored accordingly and there will be no additional opportunity to submit the requested materials.

2.5 Scoring, Ranking and Selection

DLG will rank applications based on the composite score generated by the review panel. The Commonwealth will use the scores, in part, to rank projects, but reserves the right to allocate funds to projects that meet the Commonwealth's ultimate program objectives. Program requirements are prioritized through scoring criteria and will factor into final funding determinations. The review panel will evaluate projects based on the review criteria and determine approval, rejection, or deferral. In the event demand exceeds the amount of funds available, those projects with the greatest need and effectiveness will be recommended for funding.

2.6 Negotiation

DLG reserves the right to negotiate funding amounts and payment schedules with selected applicants. Negotiations may be appropriate for, but not limited to, situations such as the demand exceeding the amount of funds available.

3 Activities

3.1 Eligible Activities

Eligible activities must be directly related to Planning activities in communities that were impacted by the Severe Storms event in 2021 and 2022 (DR-4595, DR-4630 and DR-4663). "Planning Only Activities" include data gathering, studies, analysis, and preparation of plans. The funds cannot be used to create engineering or architectural drawings in support of construction.

The planning activities carried out through this program will incorporate an analysis of current and future risks and climate impacts. Using this information, awarded entities will expand local engagement and community education on these topics. Additionally, the teams will develop plans with specific, targeted activities that address the communities' specific risks and climate impacts.

The following activities under the Housing and Community Development Act of 1974 (HCDA) are eligible: HCDA Section 105(a)(12) and Section 105(a)(16); applicable waivers identified in the

Allocation Announcement Notice and Consolidated Notice (87 FR 6326 and 87 FR 6364), other applicable waivers or alternative requirements.

Housing and Community Development Act of 1974 (HCDA) Eligible Activities for Resilient KY	
Section 105(a)(12)	<ol style="list-style-type: none"> 1. Activities necessary to develop a comprehensive community development plan, and 2. To develop a policy-planning-management capacity so that the recipient of assistance under this title may more rationally and effectively determine its needs, 3. Set long-term goals and short-term objectives, 4. Devise programs and activities to meet these goals and objectives, 5. Evaluate the progress of such programs in accomplishing these goals and objectives, and 6. Carry out management, coordination, and monitoring of activities necessary for effective planning implementation
Section 105(a)(16)	<ol style="list-style-type: none"> 1. Activities necessary to the development of energy use strategies related to a recipient's development goals, to assure that those goals are achieved with maximum energy efficiency, including items such as— <ul style="list-style-type: none"> • An analysis of the manner in, and the extent to, which energy conservation objectives will be integrated into local government operations, purchasing and service delivery, capital improvements budgeting, waste management, district heating and cooling, land use planning and zoning, and traffic control, parking, and public transportation functions; and • A statement of the actions the recipient will take to foster energy conservation and the use of renewable energy resources in the private sector, including the enactment and enforcement of local codes and ordinances to encourage or mandate energy conservation or use of renewable energy resources, financial and other assistance to be provided (principally for the benefit of low- and moderate-income persons) to make energy conserving improvements to residential structures, and any other proposed energy conservation activities

3.2 Ineligible Activities

The Resilient KY program is available only for planning activities. DLG will not fund the following activities:

- Engineering or architectural plans
- Planning for a specific construction project
- Buildings or portions thereof, used for the general conduct of government
- General government expenses
- Political activities
- Operating and maintenance expenses
- Income payments
- An activity is ineligible if it meets any one of the following criteria:
 - It's located outside a Presidentially declared County;
 - It's located outside of CDBG-DR HUD and grantee identified MID areas;
 - Is explicitly prohibited by the appropriation law;
 - Is ineligible under the applicable CDBG regulations (and a waiver has not been granted).

4 Scope of Work and Budget

The scope of work and budget outlined in the final approved application will serve as the foundation for the initial draft of the subrecipient agreement, subject to any changes required as a result of a final duplication of benefits review or changes post-application.

Awards will be granted in accordance with the program's assessment of reasonable and necessary work, which may equal the budgets submitted by subrecipients during the application process. The subrecipient's budget must provide an overview of sources for various funds going into the project. For sources of funds, subrecipients should identify the requested CDBG-DR funds, local funds for the project, and any other committed sources being leveraged for the project.

5 Award and Appeals

5.1 Awarded Amount

DLG published the minimum and maximum award amounts in the Action Plans for the 2021 and 2022 CDBG-DR allocations. In general, the minimum and maximum CDBG-DR award amounts per planning activity are:

- Minimum: \$25,000
- Maximum: \$100,000

All projects are subject to a duplication of benefits and cost reasonableness review and awards may be increased or reduced to ensure CDBG-DR funds are not duplicated, costs are reasonable and/or the project is feasible.

DLG on a case-by-case basis may give over the maximum award amount.

5.2 Notice of Award

Once award amounts are determined, DLG will send a Notification of Award to successful applicants, which is a preliminary offer to enter into a grant agreement. Execution of a grant is contingent upon both parties' agreement regarding the terms and conditions, including the project scope, budget (e.g., Commonwealth and federal construction and financial rules and regulations), and timeliness, among others, and described in greater detail in this policy. Awards will be considered final upon receipt of a signed grant agreement between DLG and the applicant.

5.3 Appeals

All appeal requests related to program activities are processed and reviewed by DLG. Initial review of the appeal will be conducted by a panel made up of DLG staff. This staff is independent from the group that originally made the decision being appealed. Each appeal will be reviewed against program policies and requirements. The panel will make a recommendation to DLG Leadership which will approve the final selection.

Appeal requests to DLG must be postmarked within 10 calendar days of the date of service on the original correspondence communicating the decision to be appealed. Appeals must be submitted in writing to:

Department for Local Government
100 Airport Road, 3rd Floor
Frankfort, KY 40601
ATTN: DR Appeals

The applicant's written request should contain the following information:

- Applicant's name
- Applicant's mailing address
- Applicant's telephone number
- Email address (if available)
- The reason(s) the decision or action is being appealed
- Documentation that supports the request to overturn the decision
- Application number

If appropriate, the Office of Legal and Regulatory Affairs may contact the applicant to allow the applicant to provide additional documents to address any deficiency or incomplete information, or to be interviewed to determine the merits of the applicant's appeal. If the action or decision is overturned, notification will specify the corrective action to be taken. The applicant shall be notified of the final determination in writing via certified mail.

6 Grant Award and Finances

6.1 Budget

Funds will be granted in accordance with DLG's assessment of reasonable and necessary work, which may equal the original budgets proposed. The subrecipients budget must provide a comprehensive picture of the Project funds, including CDBG-DR funds, local funds, and any other committed sources for the project, and a requested CDBG-DR reimbursement payment schedule based on project milestones.

6.2 Eligible and Ineligible Costs

Any cost incurred must be allowed as per 2 CFR 200.402 – 202.475 Subpart E Cost Principles is made applicable by 24 CFR 570.489 (p) with exceptions. Further, this program will not reimburse pre-award expenses, including planning work done prior to execution of the grant agreement.

Please reference [Chapter 3](#) of the CDBG-DR Subrecipient Manual for more information.

6.3 Duplication of Benefits

Section 312 of the Stafford Act prohibits any person, business, or other entity from receiving duplicative financial assistance for the same disaster recovery purpose from multiple sources of federal and other support (42 U.S.C. 5155(a) and (c)). Duplication occurs when a beneficiary receives assistance from multiple sources for a cumulative amount that exceeds the total need for a particular disaster recovery purpose. The amount of the duplication is the amount of assistance provided in excess of need.

Determination of non-duplication of benefits will be completed by the program following the steps outlined in the Duplication of Benefits Guidance provided by HUD in the Federal Register Volume 76, No. 221, dated November 16, 2011.

Please reference [Chapter 10](#) of the CDBG-DR Subrecipient Manual for more information.

6.4 Execution of Grant Agreement

Subrecipients must sign the grant agreement before any grant funds are released. The grant agreement requires the applicant to certify that they understand and agree to all the terms. DLG reserves the right to amend grant agreements to ensure project completion and that funds are being utilized compliantly.

5.7 Reporting Requirements

In order to meet the HUD requirement for submitting the Disaster Recovery Grant Reporting System (DRGR) Quarterly Performance Report, DLG will require subrecipients to provide quarterly progress update reports. This performance report shall be submitted to HUD within

30 days after the close of the quarterly reporting period. These reports will provide updates on various elements of the award, including, but not limited to, the following:

1. Detailed grant progress narratives
2. Current expenditure of federal funds and any other funds being utilized
3. Progress on performance metrics
4. Section 3: All contractors are required to maintain documentation demonstrating compliance with Section 3 Final Rule established in 24 CFR 75. DLG will request Section 3 information either as part of the quarterly progress update reports or during monitoring. Documentation should report Section 3 labor hour requirements for the number of total labor hours, number of Section 3 labor hours, and the number of targeted Section 3 labor hours for all applicable construction activities

6.5 Grant Modification/Extension

Subrecipients may request a grant amendment to extend the period of performance, for scope changes, or for budget changes that affect the CDBG-DR grant award. DLG will review the submission and determine whether a grant amendment is warranted. Subrecipients must submit the request for a grant amendment as soon as the need is identified. Requests can be submitted at any time, but no later than 90 days prior to the termination date of the grant agreement.

Please reference [Chapter 13](#) of the CDBG-DR Subrecipient Manual for more information.

6.6 Program Draw Requirements

Subrecipients will be responsible for billing DLG for invoiced costs. Before the submission of costs to DLG, subrecipients must verify that vendor invoices are accurate and complete, the activities and costs were incurred during the period of performance, and all required support documentation is included in the payment package.

DLG will develop a comprehensive review structure to monitor draw requests and reconcile any issues that may arise as a result. The quality assurance/quality control process will involve the following:

- Documentation reviews and data collection during the draw review process
- Program monitoring to ensure that operations are within program guidelines
- Program expenditure and draw request review for eligibility based on applicable laws, CDBG-DR requirements, and CDBG regulations
- Follow-ups regarding identified compliance issues, initiation of corrective actions, and implementation of program controls, as necessary

Please reference [Chapter 3](#) of the CDBG-DR Subrecipient Manual for more information.

6.7 Program Income

DLG does not anticipate the generation of any program income. However, any program income received must be used prior to requesting funding through the program or returned to DLG, subject to the applicable terms and conditions within the grant agreement and managed by DLG.

Please reference [Chapter 3](#) of the CDBG-DR Subrecipient Manual for more information.

7 CDBG-DR Requirements

The CDBG-DR requirements are based on the regular CDBG program. However, CDBG-DR funding allocations have additional or different rules and requirements included in the Federal Register Notice that allocates funds after a disaster. Key changes to the basic rules will be called out in each section of this guide. Please refer to your DLG Representative and HUD program guidance for questions or clarifications.

7.1 Environmental Review

This program is exempt from performing environmental reviews according to 24 CFR Part 58 – Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities¹ per the language below:

§58.34 Exempt activities.

Except for the applicable requirements of §58.6, the responsible entity does not have to comply with the requirements of this part or undertake any environmental review, consultation, or other action under NEPA and the other provisions of law or authorities cited in §58.5 for the activities exempt by this section or projects consisting solely of the following exempt activities: Environmental and other studies, resource identification and the development of plans and strategies.

Please reference [Chapter 2](#) of the CDBG-DR Subrecipient Manual for more information.

7.2 Financial Management

The subrecipient is responsible for administering the program grant award and requires a sound financial management system. With CDBG-DR funding comes certain administrative and financial management requirements. Financial management is the constant process of tracking progress toward financial objectives and safeguarding the financial assets of an organization. The key principles of financial management are common to all types of organizations and include sound financial management systems, internal controls, allowability of costs, use and tracking of program income, and audits.

The CDBG regulations, which also are applicable to CDBG-DR funding, require subrecipients who are governmental entities or public agencies to adhere to certain administrative and

financial management requirements. In addition to the CDBG regulations at 24 CFR 570.489, which contain the basic program administrative requirements, Federal Register Notice 87-31636 (May 24, 2022) also contains the specific waivers and alternative requirements for the use of the disaster recovery funds. Additionally, 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, which was adopted by HUD at 2 CFR 2400 and clarified applicability at 24 CFR 570.502, also applies. The requirements found at 2 CFR Part 200 establish principles and standards for determining allowable costs under federal grants. It also includes requirements for audits, such as the type and level of audit required, reports issued by auditors, and audit review and resolution, as well as requirements for financial management systems, reports, records, and grant closeouts for recipients of federal grant funding.

Please reference [Chapter 3](#) of the CDBG-DR Subrecipient Manual for more information.

8 Program Monitoring and Oversight

Monitoring activities for DLG and subrecipients occur on a daily, monthly, quarterly, and annual basis to inspect, review and report on the entity's compliance with the terms and conditions of the agreement, program policies, and to ensure satisfactory performance.

The overarching goal of monitoring is to determine compliance, prevent/identify deficiencies, and design corrective actions to improve or reinforce agreement performance. As part of this process, staff should be alert for fraud, waste and mismanagement or situations with potential for such abuse. Where possible, any identified deficiencies in need of corrective action should be handled through discussion, negotiation, or technical assistance in a manner that maximizes cooperation and compliance. Monitoring also provides opportunities to identify program participant accomplishments as well as successful management, implementation and evaluation techniques that could be replicated by other subrecipients.

The frequency at which DLG will monitor subrecipients will be included in a monitoring work plan for each subrecipient, which is informed by the risk assessment. DLG may adjust the monitoring work plan due to various factors, such as:

- Activity risk
- Any fiscal-related concerns, discrepancies, or invoicing/drawdown activity
- Concern(s) for timely activity completion
- Significant changes to the project or project staff
- Other compliance-related issues

DLG and subrecipients are responsible for monitoring their vendors and contractors to ensure compliance with the terms and conditions of the contract.

The results of the monitoring review may require corrective action by the subrecipient or contracted vendor. A monitoring report will be issued which outlines the findings, concerns,

and/or observations and identifies corrective actions to be carried out to remedy identified deficiencies.

Please refer to [Chapter 13](#) in the CDBG-DR subrecipient manual for more information.

8.1 Audit Report Requirements

As per the provisions of 2 CFR 200, Subpart F, Audit Requirements, grantees that expend \$750,000 or more during their fiscal year in federal awards must have a single or program-specific audit conducted for that year. Subrecipients also must have a single or program-specific audit if they meet the \$750,000 expenditure threshold.

DLG is required by 2 CFR 200.331 to ensure that all subrecipients comply with Subpart F. DLG will verify that subrecipients, if applicable, have prepared financial statements (including the schedule of expenditures of federal awards) that there are no significant findings in the single audit that impact the use of CDBG-DR funding and, if there are findings, the subrecipient has taken corrective action.

Please refer to [Chapter 3](#) in the CDBG-DR Subrecipient Manual for audit and other financial management requirements.

8.2 Conflict of Interest

No persons who is an employee, agent, consultant, officer, or elected official or appointed official of the recipient, or of any designated public agencies, or of subrecipients that are receiving funds under this part who exercise or have exercised any functions or responsibilities with respect to CDBG-DR activities assisted under this part, or who are in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from a CDBG-DR-assisted activity, or have a financial interest in any contract, subcontract, or agreement with respect to a CDBG-DR-assisted activity, or with respect to the proceeds of the CDBG-DR-assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for 1 year thereafter.

Please reference [Chapter 1](#) of the CDBG-DR Subrecipient Manual for more information.

8.3 Prevention of Fraud, Waste, and Abuse

As the grantee of the CDBG-DR funds, DLG must oversee all activities and expenditures of the funds awarded to subrecipients to ensure subrecipients. Subrecipients are responsible for developing a Fraud, Waste, and Abuse Policies and Procedures document that describes how the subrecipient will ensure activities adhere to all applicable fraud prevention rules and regulations. All projects will be monitored at least once during the life of the activity. The results of the monitoring and audit activities will be reported to the Deputy Commissioner of DLG (DLG Policy No. 2.10.3, Detection of Fraud, Waste, and Abuse).

Please reference [Chapter 15](#) in the CDBG-DR subrecipient manual for compliance requirements.

8.4 Equal Employment Opportunity

Through the use of CDBG-DR funding, no person should be excluded, denied benefits, or subjected to discrimination on the basis of their race, color, national origin, sex, disability, or age. DLG and its subrecipients may not discriminate in any of the following areas: deciding who will be admitted or have access to any CDBG-DR-funded program or activity; providing opportunities in or treating any person with regard to such a program or activity; or making employment decisions in the administration of or in connection with such a program or activity. DLG and the subrecipients must administer and fund programs that are in conformity with Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair Housing Act (42 U.S.C. 3601– 3619), and implementing regulations, and will affirmatively further fair housing.

Program homeowners and renters will be informed that if they believe their rights may have been violated, they can file a complaint with the Office of Fair Housing and Equal Opportunity via online submission, email, phone, or mail.

HUD Form 903 Online Complaint
Atlanta Regional Office of Fair Housing and Equal Opportunity
U.S. Department of Housing and Urban Development
Five Points Plaza
40 Marietta Street, 16th Floor
Atlanta, GA 30303-2806
Phone: 678-732-2493
Email: ComplaintsOffice04@hud.gov

Please refer to [Chapter 7](#) in the CDBG-DR subrecipient manual for more information.

8.5 Procurement

Subrecipients must follow the Commonwealth's procurement requirements. The Commonwealth's procurement requirements are based on free and open competition. Any entity that is listed as excluded, debarred, or suspended on the System for Award Management (<https://sam.gov/SAM/>), including affiliated businesses with the same employer identification number, is not eligible to receive CDBG-DR funds, and may not be selected as a subrecipient, partner, subcontractor, or vendor.

Cost/Price analysis (Independent Cost Estimate) must be done prior to receipt of bids or review of proposals. This is the area where most HUD findings have occurred historically, because the analysis was not independent, or it was not documented prior to receipt of bids or proposals.

Subrecipients are responsible for maintaining records sufficient to detail the history of procurement.

Please reference [Chapter 4](#) in the CDBG-DR subrecipient manual for compliance requirements.

8.6 Files, Records, and Reports

8.6.1 Files

Subrecipients are responsible for maintaining adequate files that can be easily accessed and reviewed by DLG, auditor, and HUD.

Please refer to [Chapter 1](#) of the CDBG-DR subrecipient manual for a list of records to maintain.

8.6.2 Record Keeping

Accurate record keeping is crucial to the successful management of CDBG-DR-funded activities. Insufficient documentation is likely to lead to monitoring findings and those findings will be harder to resolve if records are missing, inaccurate, or inadequate. DLG and subrecipients are required to maintain complete and accurate documentation, by project, for all disaster-related costs. Subrecipients are required to retain records for at least 5 years.

Documentation must be available to DLG, auditors, or HUD for review and monitoring upon request. Agreements will detail the record-keeping requirements for how documentation should be retained between DLG and its subrecipients.

Subrecipients must develop new procedures or adopt existing procedures that demonstrate how it will adhere to record keeping requirements. DLG will review and approve procedures as part of finalizing the Policies and Procedures.

8.6.3 Destructions of Records

In no case shall the record destruction date be less than 5 years from the time of final closeout for original copies of documents. All original records become property of the Commonwealth of Kentucky. Subrecipients must submit a proposal to the Commonwealth's record disposal system before disposing of retained records.

Please refer to [Chapter 14](#) of the CDBG-DR subrecipient manual for more information.

9 Closeout

9.1 Closeout Procedures and Documents

Upon completion of all work in the project file, subrecipient agreement, or MOU (as applicable), the subrecipient or DLG will be required to provide specific information confirming that all requirements have been met. DLG or a subrecipient may initiate closeout procedures when:

- All costs paid with CDBG-DR funds have been expended and drawn, with the exception of closeout costs (e.g., audit) or contingent liabilities;

- All work financed with CDBG-DR has been completed, is eligible, and meets a national objective (if applicable);
- Performance and expenditure reports have been submitted and account for program income and all expenditures;
- All other responsibilities under the agreement with DLG have been met or DLG has determined that there is no further benefit in keeping the agreement open to secure performance.

Please refer to [Chapter 14](#) of the CDBG-DR subrecipient manual for more information.