Mercer County

HOME & CDBG-CV

General Policies and Procedures

February 22, 2024

MERCER COUNTY
HOME & CDBG-CV
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MERCER COUNTY

HOUSING & COMMUNITY DEVELOPMENT OFFICE

INTERNAL OPERATING GUIDELINES AND PROCEDURES

I. PURPOSE

These Guidelines and Procedures are to provide guidance and consistent approach through which the Housing & Community Development Programs developed or sponsored by Mercer County will be implemented. They are not, nor are they intended to be, all inclusive of every activity within the Office. These Guidelines will apply to the following program funding types: HOME Investment Partnerships Program (HOME) and Community Development Block Grant CARES Act (CDBG-CV) - except where noted differently in specific Policy or Guidelines. These Guidelines are in addition to County Policies.

II. ADMINISTRATION

A. Community Development Block Grant CARES Act (CDBG-CV) and HOME Investment Partnership Programs will be operated in accordance with all applicable rules, regulations, and/or policies of Mercer County, the State of New Jersey, and the U. S. Department of Housing and Urban Development (HUD). These Administrative Procedures, used to implement the Programs, may be added to, deleted from, or modified to meet any changes made to such rules and regulations of the above entities which may occur over time.

B. Administrative authority for operation of the Program will rest with Mercer County Housing & Community Development Department. The Housing & Community Development (hereinafter referred to as HCD) Director will serve as the Department Head for the Housing & Community Development Department. The HCD Director will serve as the County's liaison and representative between participating Cities, Board of Commissioners, HUD, NJ DCA and/or other federal, state, and/or local representatives.

C. The HCD Director will have direct responsibility for the administration of the HCD Programs, Projects, and Activities related to HOME funds, Fair Housing Regulations, Community Participation Plans and other related compliance items. Those responsibilities shall include, but are not limited to, the authority to approve applications eligible for assistance, deny assistance, approve of scopes of work to be undertaken within the Program Guidelines, as well as recommendations to Board of Commissioners for the awarding of projects. The HCD Director is directly responsible for the HCD staff and makes decisions regarding staff and the assignment of duties. The HCD Director responds to Board of Commissioners inquiries and works directly with the Commissioners and County Executive. The HCD Director will also work directly with the Advisory Board, Mercer County Consortium, other agencies, organizations, and the public in the interest of the County.

D. For the limited CDBG-CV funds, the Economic Development Director will have direct responsibility for the administration of the CDBG-CV Projects and their related compliance items. Those responsibilities shall include, but are not limited to, the authority to approve applications eligible for assistance, deny assistance, approve of scopes of work to be undertaken within the Program Guidelines, as well as recommendations to the Board of Commissioners for the awarding of projects. The Economic Development Director responds to Board of Commissioners inquiries and works directly with the Commissioners and County Executive. The Economic Development Director will also work directly with the

Advisory Board, Mercer County Consortium, other agencies, organizations, and the public in the interest of the County.

III. 5-YEAR CONSOLIDATED PLAN, ANNUAL ACTION PLAN AND CAPER

A. The 5-Year Consolidated Plan, Annual Action Plan and CAPER are primarily the responsibility of the HCD Director.

B. Projects and Activities for the Annual Action Plan are selected based on a process that begins around the first of March each year. At least one Public Hearing is held to announce the amount of funding available and proposed projects, as well as to gather public input.

See Citizen Participation Plan for more specific details.

IV. ACTIVITY/PROJECT SELECTION PROCESS

HOME PROGRAM ACTIVITIES

The County's Housing & Community Development Dept. staff shall be responsible for the overall administration of the HOME Rehab/Reconstruction and First-time Homebuyer programs. These programs shall be operated in accordance with all applicable rules and regulations of the U. S. Department of Housing and Urban Development (HUD) and Mercer County. The HOME Program is under the direct supervision of the HCD Director and the Mercer County Board of Commissioners.

Homeowner Rehabilitation Loan Program. The sole purpose of this program is to assist low to moderate income homeowners with providing a decent, safe, and sanitary place to live through financial assistance towards housing repairs or reconstruction.

1. The average amount of loan assistance provided to an applicant for is generally $10,000-$15,000 for rehabilitation. In the event that $10,000-$15,000 is not sufficient to complete the needed repairs, the HOME Program Staff may authorize that additional funds be made available to the applicant(s) subject to the availability of funds and inability to meet HQS standards. It is the sole discretion of the CD staff to determine the feasibility of a reconstruction vs. rehabilitation. In the event the home is not feasible to repair, reconstruction is recommended.

2. The minimum amount of grant assistance which may be provided to any applicant for rehabilitation assistance shall be Five Thousand Dollars ($5,000.00).

3. The financial assistance will be in the form of a no-interest deferred payment loan (DPL) which will be forgiven over a period of time and then released at the end of the applicable affordability period. If the home is sold prior to the expiration of the affordability period, the owner will be required to repay the unforgiven balance of the loan. The affordability period shall be ten (10) years.

1. Recipients who have received rehabilitation assistance may not reapply for additional assistance for a period of five (5) years following the expiration of the affordability period.

2. Procurement of construction services will be through a sealed bid process. Invitation to bid will be publicly advertised and general contractors that have shown interest in participation will be sent an invitation to bid through email. Any general contractor may bid on the project

that is currently out for bid. Bids are opened in the CD dept. lobby and read aloud to any members present. Bids are generally not rejected, but in the event a bid is rejected, rational and reasoning will be documented in the project file. Bids will be awarded to the lowest most responsible bidder who can complete the work in a timely manner. Notification will be sent to the winning bidder. Fixed price contracts are signed and Contractors shall complete the work for the bid amount plus any approved change order by the time frame agreed in the contract, or may be penalized with liquidated damages.

For more information see the Homeowner Rehab Guidelines and Section VII Bidding Procedures for more specified details.

First Time Homebuyer Program. The sole purpose of this program is to assist low to moderate income residents with the purchase of decent, safe, and sanitary housing by providing financial assistance towards down payment and closing costs.

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1) This program shall be operated in accordance with all applicable rules and regulations of the U. S. Department of Housing and Urban Development (HUD) and Mercer County.

2) The financial assistance will be in the form of a no-interest deferred payment loan (DPL) which will be released at the end of the 6-year affordability period. If the home is sold or is no longer used as their primary residence prior to the expiration of the affordability period, the owner will be required to repay the full balance of the loan. The amount of financial assistance shall not exceed $10,000, but be no less than $1,000. The affordability period shall be six (6) years. Once the six (6) year affordability period is over, the homeowner can request a discharge of the lien.

See the Homebuyer Guidelines for more specified details.

Rental Housing Production Program. The purpose of this program is to provide financial assistance in form of a loan to CHDO's and non-CHDO's to develop affordable rental housing.

1) Mercer County has an open application process where developers can apply for available funds. Applications are reviewed on a first come first serve basis, and is based on available HOME funds. A pre-application meeting is high encouraged.

2) Once an application is received, HCD staff review to see if the project would potentially meet all applicable rules and regulations of the HOME Program.

3) Typical loan amounts depend on the scope and size of the project. Loan amounts very from $50,000-$100,00 per HOME unit.

See the Housing Production Guidelines for more specific details.

CDBG-CV1 & CDBG-CV2 Funding

There are many aspects that must be considered in selecting activities to assist under the CDBG-CV Program. The County is looking to expend its CDBG-CV awarded funding as follows:

(1) The County has been allocated CDBG-CV1 funds for the implementation of an assistance

project in Hightstown. Thus, Mercer County is working to complete a Grant Program for small businesses and non-profits. Entities eligible to apply will include:

- Small Business (under 50 employees; less than $5M in revenue)
- Microenterprise (5 employees or less, of which at least one is the owner))
- Non-profit (located in Hightstown, NJ; IRS non-profit category tax ID certificate)
- Entity would need to be registered as a business/non-profit in Hightstown, NJ prior to December 31, 2021

(2) The County has been allocated CDBG-CV2 funds for the purchase of Vehicles in six (6) municipalities within Mercer County. In the fall of 2022, all Municipalities in the County of Merce were offered an opportunity to propose projects that would provide social services, health care and transportation needs for senior veterans and the disabled in their communities. Based on the responses and requests for aid received, Mercer County developed a list of Vehicle purchases that could be accomplished. In December 2022, Mercer County submitted the request for CDBG-CV2 funding to the NJ Department of Community Affairs (NJ DCA).

The County follows several steps to determine if CDBG-CV funds may be used to assist a proposed activity:

(a) Is eligible (per 24 CFR 570.201-206), meets a national objective (per 24 CFR 570.208) in the CDBG-CV statute, and complies with all other federal requirements;

(b) The County's CDBG-CV expenditures will be for activities that are considered to benefit L/M income persons,

(c) Proposed costs appear to be necessary and reasonable and will otherwise conform with the requirements of 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as applicable.

(3) If the proposed project meets the above standards, the proposed projects are presented to the public via a public hearing published in the County newspaper with at least a 30 day public comment period. If the activity is not approved, funding is allocated to another eligible project.

See Guide to National Objectives and Eligible Activities for CDBG COVID-19 CV funds, as well as, specified HUD regulations for more specific details.

V. ENVIRONMENTAL REVIEWS

An environmental review assesses the potential environmental impacts of a project to determine whether it meets federal, state, and local environmental standards. Every HUD-assisted project must be examined to ensure that it does not negatively impact the surrounding environment and that the site itself will not have an adverse effect on end users. The extent of the examination varies, but all activities must be in compliance with the National Environmental Policy Act (NEPA) and other related Federal and state environmental laws. Environmental reviews shall be completed by either the Environmental Consultant procured through Purchasing Dept. or in-house by HCD staff. A ll projects be entered and submitted through HEROS – HUD Environmental Review Online System.

See the Environmental Review Procedures for more specified details

VI. TECHNICAL ASSISTANCE

Technical assistance will be provided by HCD Staff to Subrecipients, Commissioner's, County Executive, or any other prospective recipient of the funds. This technical assistance includes, but is not limited to, explaining the procedures used to process applications, eligibility requirements, program requirements, documentation needed to prove eligibility, or any other information or questions as requested.

VII. BIDDING PROCEDURES

The County shall follow local, state and federal procurement procedures when applicable and using HUD funds. The more stringent of NJ Procurement Laws, Mercer County Regulations and Procedures or those that exist within 2 CFR Part 200 shall prevail. In brief:

A. Depending on the potential amount of the project, bids will either be gathered using the procurement procedures and thresholds in accordance with 2 CFR 200 or the provisions of Mercer County Purchasing Dept., concerning procurement through public competitive bids or competitive negotiations.

B. If competitive bids are required, the bid period shall normally last fourteen (14) days with bid opening occurring on the 15th day. Bids shall be opened publicly at a pre-designated time and place.

C. Routinely, bid award shall go to the lowest responsible bidder that provides the best value to the County/Subrecipient. However, a contract may not be awarded to the low bidder should the bid or contractor be determined by the designated responsible person as ineligible or unsatisfactory. To be considered a qualified bidder, a contractor must have demonstrated the quality of their workmanship, stability, and financial soundness to the satisfaction of the County/, and that he/she/they have adequate financial resources to complete the project. Contractors who have been suspended from bidding on other City/County/Subrecipient sponsored projects, or debarred from Federal award, will not be considered qualified bidders.

D. If less than two (2) bids are received, City/County/Subrecipients will need to re-bid project and show documentation of solicitation to at least 5 vendors in addition to newspaper notice.

E. For homeowner housing rehab activity, The HCD Department will have a plan of selection and implementation process depending on the rehabilitation activity.
Once the application has been reviewed and approved by staff an inspection of the property will be scheduled. At time of inspection, the Housing Inspector will gather all necessary information to create a detailed work scope. The inspector will then review the work scope with the Homeowner. Once the Homeowner agrees with the work scope, the homeowner will sign-off on the specifications. At which point, the homeowner will solicit at minimum three (3) estimates from contractors. The estimates must include all the work outlined in the specifications drafted by the Housing Inspector and approved by the Homeowner. The Homeowner will receive a list of approved contractors who have performed work for the County in the past. Homeowners may obtain estimates from contractors who are not on the list as long as the contractor meets program requirements. (Contractor Requirements will be provided at time of work scope review). Homeowners will be given sixty (60) days to obtain estimates. Contractors will be chosen with the assistance of the Housing Inspector or other staff members. Once a contractor has been selected, a meeting is conducted with the Homeowner and the Contractor to discuss the "Homeowner Agreement & Construction Contract". The Homeowner signs the Agreement, Mortgage, and Note. The Contractor signs

the Construction Contract. The Contractor is then provided with a letter to proceed. The Housing Inspector will conduct inspections throughout the process and partial payment may be provided once the homeowner and Housing Inspector agree to the work completed. Both homeowner and Housing Inspector will approve final inspection and final payment can be made to contractor.

See HUD regulations in 2 CFR 200.317- 200.326 for more specified details.

VIII. CONTRACT REQUIREMENTS

A. For selected homeowners/awardees/contractors, meetings are set up to discuss the scope of work, expectations, and all reporting and recordkeeping requirements. Once all questions and comments are answered, the contract is signed and sent to Commissioners for signature. After contract signatures are receive, funds may be spent on the eligible project.

B. In the interest of all parties involved in the loan programs; Mercer requires the awardees to assure that all construction is completed in accordance with Local codes and ordinances, is completed in a reasonable and timely manner; will be held to certain conditions and standards as set out by the County, which include, but are not limited to the following conditions:

1. Bonding or other provisions is necessary to assure the contractor's satisfactory performance under the contract and federal dollars are protected.

2. Appropriate contractor's/builder's risk insurance, worker's compensation, and other comprehensive insurance coverage.

3. That work performed by contractors will be guaranteed for a standard period of time. For homeowner activities in addition to manufacturer warranties, the contractor does warrant for a period of one (1) year that all work under the homeowner contract shall be free from defects arising from the equipment, materials, and workmanship of the contractor.

4. Other requirements of law and regulations applicable to Mercer County, the State of New Jersey, and the Federal Government, which may be appropriate.

5. Conditions are subject to change, are fully set out in each specific bid process, and may be unique to the project, client, or location.

C. Pre-construction Conference - A pre-construction conference may be held with the Contractor, HCD staff, and the Homeowner/Subrecipient. The meeting will address the extent of the work to be performed, the work schedule, special conditions, and any specific concerns or questions relating to the project.

D. Form of Contract - Work will be authorized by a written contract between an approved contractor and the Homeowner/Subrecipient. For housing activities, the HCD Staff will assist in preparing the contract for signature by the contractor and homeowner. Agreements between the Homeowner/Subrecipient and the County to fund improvements contained in the contract will be required in order to authorize the use of Federal funds. The contract will consist of a single document including the bid and proposal, general and special conditions of the contract, plans and specifications of work to be accomplished under the contract, and any other relevant or required documents.

E. Change Order Procedure – For the Homeowner loans, change orders may be approved by the County to make changes in scope of work or to allow for cost increases required to pay the cost of repair and/or replacement of actual or incipient code violations which were not

observed or known at the time of the preparation of the original contract. Change orders are submitted to the HCD Department and will be approved when appropriate. Where change orders are substantial, the HCD Dept. will seek consultation with the project representative, Engineer, and/or other parties involved in the project for justification, cost reasonableness, recommendations, and approval.

F. Payment Procedure - Payments will be made based on receipt and approval of a signed pay request from the parties to the awarding contract.

1. HOME – Payments will be made as specified within specific program guidelines prepared for HOME-funded programs

2. CDBG-CV1 – It is anticipated that two payments will be made. Initial payment upon successful application completion, eligibility determination and award agreement documentation provided. The second (final) payment made upon completion and adequate documentation of eligible expenses and job-retention (or creation) commitments, as applicable. Verification will be made via a desk review of submitted documentation.

3. CDBG-CV2 – Two payments will be made per equipment purchased. One as a deposit once a compliant vendor has been selected based on a competitive solicitation. The second (final) payment to be made up on delivery of specified equipment and verification that delivered equipment is in good working order. Verification will be made with an equipment inspection, including collection of photographs and owner's manuals.

See HOME and CDBG-CV program documents for more specific details.

IX. MONITORING

A. Before invoices are approved for payment, the file is checked for all contract documents, including signed contract, Council resolutions awarding contract (as applicable), and debarments. If any information is missing, a phone call is placed to obtain it prior to release of the payment. Pay requests must also be signed by the Mercer Program Director and the Beneficiary (as applicable) to confirm satisfactorily completion of the work.

B. Projects are either/both desk monitored and/or field inspected with every invoice submitted.

C. On-site monitoring is scheduled for a "First-Time Funded Entity", new staff, or if problems arise during the contract period. When it is determined that an agency will be monitored on-site, a letter is sent out notifying the agency of the scheduled audit. The letter also lists the date and time of such meeting and requests that all key personnel that are involved with the grant attend. Generally, a 2 week notice is given, if not longer, to allow the Subrecipient time to gather the information requested in the letter; so if files are in storage, they have time to retrieve the files. Files are then reviewed by the Monitoring Staff, and any findings are noted. A letter noting the deficiencies or findings is sent to the agency with suggested improvements and/or required actions, and if applicable, a time-frame for a response. A follow-up consultation is then scheduled if there are significant findings. If an agency does not correct the findings, then a recommendation is presented at Board of Commissioners requesting the contract and funding be terminated.

1. Onsite monitoring for the HOME Program – is scheduled for housing related projects. Monitoring occurs either every 1, 2,or 3 years depending on the specific project and funding amounts. When it is determined that an agency will be monitored on-site, a letter is sent out notifying the agency of the scheduled visit. The letter also lists the date and

time of such meeting and requests that all key personnel that are involved attend. Generally, a 2-week notice is given, if not longer, to allow the Subrecipient time to gather the information requested in the letter; so if files are in storage, they have time to retrieve the files. Files are then reviewed by the Monitoring Staff, and physical inspections are performed. Any findings are noted. A letter noting the deficiencies or findings is sent to the agency with suggested improvements and/or required actions, and if applicable, a time-frame for a response. A follow-up consultation is then scheduled if there are significant findings. If an agency does not correct the findings after multiple notifications, then a recommendation is may be made to terminate funding or require repayment.

2. Onsite monitoring for CDBG-CV1 funds will be on a case-by-case basis as determined by a desk review.

3. Onsite monitoring for CDBG-CV2 – Each year an on-site and desk monitoring visit will be scheduled to review equipment maintenance schedules and plans going forward; ensure usage of equipment is maintained for original purposes; to collect photo documentation; and other areas of monitoring as needed.

D. Inventory that is purchased with HOME or CDBG-CV funds, is entered into an Inventory Control Log. Physical inventory with a purchase price of $5,000.00 or more is monitored at least once every two years until the affordability period is complete, equipment is sold, or the useful life of the equipment is exhausted.

See HOME and CDBG-CV program documents for more specific details.

X. SUBRECIPIENT FINANCIAL AUDIT REVIEW

A. Financial Audit reports are due from any Subrecipients expending more than $750,000 in federal funds 30 days after receipt of final audit report.

B. HCD Dept shall review report for any findings or concerns.

C. HCD Dept shall notify responsible entities of any findings that could possibly pertain to HUD funds requesting response which includes deadline, corrective action, and a process to appeal the finding as stated in Section XV: Complaint Resolution Procedures, of this document.

See Exhibit B: Audits for more specific details.

XI. FINANCE

A. All bank accounts, whether specific to HCD or other County departments, are maintained by the CFO, reconciled by the Auditor's Office, and are subject to an external auditor's review. Those records are kept with the Auditor's Office. The HCD Dept. files the expenditures by activities, whereas the Auditor's Office files the expenditures in accordance with their policies.

B. Accounts Payable and Receivable - Accounts Payable and Receivable data entry is handled by the Financial Coordinator. The expenditure is approved after review of the documentation provided by the Subrecipient/Contractor/Grantee, and the Financial Coordinator enters the invoice for payment. The invoice is then sent to the Auditor's Office for final verification and processing. Check stock is maintained in the CFO's Office. Checks are processed, printed, and returned to the Auditor's office for processing. The checks are then returned to the CFO's office for mailing or if requested, returned to the HCD department for pick-up by the vendor.

C. Advance Payment Procedures – When the County chooses to use this procedure, as in the case of the CDBG-CV funding, the County shall make timely payments to vendors and minimize the time between transferring funds from the State Treasury and disbursement of funds to vendors in compliance with the terms and conditions of the federal contract, grant, regulation, or statute. All advanced payments using federal grant funds will be disbursed in accordance with 2 CFR 200.305(b) and with the provisions in the contract with the vendor.

To ensure vendor compliance, invoices/pay applications/pay estimates will be reviewed for accuracy for such items but not limited to change order approvals, outstanding lien/payments to subcontractors, labor standards, and verification of work completed as invoiced prior to disbursement or request for funds from State Agency. The County shall notify a vendor of an error in an invoice submitted for payment by the vendor.

Advance payments of federal grant funds will be deposited and maintained in a separate insured account. The County will maintain advance payments of federal awards in interest-bearing accounts, unless the following apply: County receives less than $120,000 in Federal awards per year; the County is not expected to earn interest in excess of $500 per year on Federal cash balances; or 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)(7))

See Exhibit A: Financial Management System for more specific details.

XII. FORMS/RECORDKEEPING REQUIREMENTS

A. Typically, all forms used as part of the implementation of the Program and which constitute legal instruments, such as contracts/agreements, will be approved by the District Attorney's Office prior to their use. All other forms necessary for program use can be developed by staff, and approved by the HCD Director.

B. HCD Program staff will be responsible for maintaining accurate and complete files as required by HUD on each Program applicant and recipient of assistance.

C. Program files and documents will be retained for a period of seven (7) years from date of completion, or longer, if deemed appropriate, by the HCD Staff. Clients' data, documents, and personal information, such as copies of driver's licenses, social security cards, or income information, will be shredded when time to discard the files or documents. Personal client information is confidential and private and will be used only in relation to the assistance the client is seeking. Client personal information is not open to the public and is considered confidential.

See Exhibit F: Recordkeeping and Reporting Requirements for more specific details.

XIII. OVERSIGHT BY COUNTY

Checks and balances are in place in several areas with regard to the HCD Department, including the separation of IDIS duties, financial responsibility, procurement duties, and the oversight of the CD Program.

XIV. COMPLAINT RESOLUTION PROCEDURES

All written complaints shall be forwarded to the County's Housing & Community Development Department immediately upon receipt. Upon receipt of a written complaint, the Housing &

Community Development Department will research the situation, as well as local and federal guidelines and regulations to determine whether the complaint is justified and recommend action, if appropriate. A written response outlining the determination and any proposed action shall be made within fifteen (15) working days of the receipt of the written complaint. If the complaint cannot be addressed within fifteen (15) days, the person(s) shall be notified as to when a response can be expected. If the complaint cannot be resolved to the satisfaction of the person filing it, he or she may submit such complaint to the County Counsel for further consideration. The County Counsel shall either agree with or modify the decision rendered by the HCD Department staff. The decision of the County Counsel shall be final except in cases where legal remedy is available by state and federal law.

Citizens desiring information, wishing to make comments or suggestions, or to file a complaint, should direct communications to:

Housing & Community Development Director
Housing@mercercounty.org
640 S. Broad St, Room 106
P.O. Box 8068
Trenton, NJ 08650-0068
Phone: 609-989-6959
(Spanish - 609-989-6736)

XV. CODE OF CONDUCT

As a Recipient of HOME and CDBG-CV funding, Mercer County shall avoid, neutralize, or mitigate actual or potential conflicts of interest so as to prevent an unfair competitive advantage or the existence of conflicting roles that might impair the performance of the grant contracts or impact the integrity of the procurement process.

For procurement of goods and services, no employee, officer, or agent of the Mercer County shall participate in the selection, award, or administration of a contract supported by HOME or CDBG-CV funds if he or she has a real or apparent conflict of interest. Such a conflict could arise if the employee, officer, or agent; any member of his/her immediate family; his/her partner; or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.

No officer, employee, or agent of Mercer County shall solicit or accept gratuities, favors or anything of monetary value from contractors or firms, potential contractors or firms, or parties to sub-agreements, except where the financial interest is not substantial, or the gift is an unsolicited item of nominal intrinsic value.

Contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals must be excluded from competing for such procurements.

For all other cases, no employee, agent, consultant, officer, or elected or appointed official of the state, or of a unit of general local government, or of any designated public agencies, or

subrecipients which are receiving HOME or CDBG-CV funds, that has any HOME or CDBG-CV responsibility, or is in a position to participate in a decision-making process or gain inside information, may obtain a financial interest or benefit from the HOME or CDBG-CV activity.

The conflict-of-interest restrictions and procurement requirements identified herein shall apply to a benefitting business, utility provider, or other third-party entity that is receiving assistance, directly or indirectly, under a HOME or CDBG-CV funded contract or award, or that is required to complete some or all work under the same contract.

Any person or entity including any benefitting business, utility provider, or other third-party entity that is receiving assistance, directly or indirectly, under a HOME or CDBG-CV contract or award, or that is required to complete some or all work under the same contract that might potentially receive benefits from HOME or CDBG-CV awards may not participate in the selection, award, or administration of a contract supported by HOME or CDBG-CV funding.

Any alleged violations of these standards of conduct shall be referred to the Attorney for Mercer County. Where violations appear to have occurred, the offending employee, officer, or agent shall be subject to disciplinary action, including, but not limited to dismissal or transfer; where violations or infractions appear to be substantial in nature, the matter may be referred to the appropriate officials for criminal investigation and possible prosecution.

EXHIBIT A

FINANCIAL MANAGEMENT SYSTEM

Regulations - The requirements for financial management systems and reporting are found in the following:

- 2 CFR Part 200 for governmental and public agency subrecipients.
- 2 CFR Part 200 for private non-profit subrecipients.

Purposes – The purpose of a financial management system is to:

- provide control and accountability over funds and assets.
- identify source and application of Federal funds to activities.
- allow for accurate and timely financial reporting.
- minimize time elapsed from transfer of funds to disbursement.

Internal Controls - Internal controls ensure that:

- resources are used for authorized purposes
- opportunities for waste, mismanagement or loss are minimized
- reliable information on the source, amount and use of resources are secured, up-to-date, and recorded

Basic elements of an internal controls system include the following:

- organizational chart
- written definition of responsibilities and duties of key employees
- separation of duties
- staff qualifications commensurate with job responsibilities
- formal system of authorization and supervision to provide accounting control over assets, liabilities, receipts, and expenditures
- control over access to assets, IDIS, and confidential documents
- comparisons of financial records to actual assets and liabilities

Basic Accounting Records – It is necessary to have accounting records that adequately identify the source and application of CDBG-CV and HOME funds. Basic elements of our accounting system include the following:

- general ledger
- inventory log
- time sheets and payroll records
- support documentation (i.e., invoices, purchase requisitions)
- journal entries (for payroll corrections only)
- budget and expenditure detail report
- HOME remaining funds

- CDBG-CV financial report

Sources and Uses of Funds – Accounting records must contain reliable and up-to-date information about the sources and uses of funds:

- grant awards and/or written agreements
- current authorizations and obligations
- unobligated balances
- assets and liabilities
- program income
- actual expenditures from which the funds are derived (Program year)

Budget Controls – In order to compare and to control expenditures against approved budgets, an accounting control system must be in place to:

- Maintain amounts budgeted for activities
- Compare actual obligations and expenditures against approved budgeted line items. After each drawdown:
    - General ledger to Drawdown
    - YTD Revenue to YTD Expenses
    - Budget and Expenditure Detail Report to Timeliness Report
    - Timeliness Report to IDIS
- Monitor unexpended or unobligated balances to determine if it will be necessary to revise the budget or to reprogram the funds

Cash Management – Regulations require that the time between receipt of grant funds and the actual disbursement of those funds must be minimized. Funds drawn down must be disbursed within five (5) business days.

Fidelity Bonds - Fidelity bond coverage must be obtained for Subrecipients key accounting staff in the event of direct Subrecipient reimbursement.

Allowable Costs – The standards for determining the reasonableness, allowability, and allocability of costs incurred on CDBG-CV funded activities are found in 2 CFR Part 200 for governmental and public agencies, as well as for non-profit entities. No indirect costs are allocated for individual projects. According to basic guidelines a cost is allowable if:

- the expenditure is necessary, reasonable and directly related to the grant funded activities
- the expenditure is authorized by the governing body
- the expenditure is not prohibited under Federal, State or local laws
- the expenditure is consistently treated
- the cost must be allocable to the CDBG-CV or HOME program
- the cost is net of all applicable credits such as discounts

Ineligible costs include entertainment, contributions and donations, sales tax, fines, penalties, and bad debts. Other prohibited costs include buildings used for the general conduct of government, general government expenses and financing the cost of political activities. Other types of ineligible costs,

unless otherwise authorized, include, but are not limited to:

CDBG-CV Program

- Purchase of construction equipment (unless eligible for solid waste disposal)
- Purchase of equipment, furnishings, fixtures or motor vehicles or other personal property (unless part of a public services activity, firefighting equipment, or is necessary in the administration of CDBG-CV activities)
- Operating and maintenance expenses (except for expenses associated with public services activities, interim assistance, or office space for program staff employed in carrying out the CDBG-CV activities)
- New housing construction (unless performed in accordance with last resort housing provisions under the CDBG-CV program or by a CBDO)

HOME Program

- Project reserve accounts or operating subsidies
- Tenant based rental assistance for the special purposes of the existing Section 8 program
- Assistance for the operation of public housing

Source Documentation – All documentation must be readily available for review by the County or HUD officials. The general regulations for source documentation requirements are found in:

- 2 CFR 200.302 Government and public agency subrecipients.
- 2 CFR 200.302 for private non-profit and for-profit subrecipients.

Supporting documentation is necessary to show that costs charged against grant funds were incurred during the effective period of any grant or subrecipient agreement, were actually paid out or accrued, were expended on allowable items, and have been approved by the proper governing bodies.

Examples of the types of documentation include:

- Payroll - Time and attendance records should be kept to support salary and related benefit costs if CDBG-CV/HOME funds are used to pay them. If an employee's time is split between CDBG and another funding source, the distribution of the employee's time must be recorded. Justification for the payroll versus the objective should be noted. Force Account Reimbursement Personnel Cost Calculation reports in regards to CDBG-CV projects are maintained by respective County departments.
- Space and Utilities - Rental or lease agreements and utility bills must be kept. Canceled checks should support all type of expenses.
- Supplies - Vendor invoices which have been signed off by the subrecipient to indicate the goods and services were received. Canceled checks should support these expenses if the subrecipient is reimbursed for this cost.

EXHIBIT B

AUDITS

Audit Required - Any time a subrecipient spends $750,000 or more in Federal funds in a year, a formal single audit must be performed and provided to the County. The audit must be conducted in accordance with 2 CFR 200 Subpart F – Audit Requirements non-federal entities expending federal funds.

The Audit is due within thirty (30) days of its completion. In instances where the subrecipient does not receive $750,000 or more in Federal funds but still performs an annual audit, the County will require that this audit report be submitted.

An Audit Certification Form is included in the Appendix for use in reporting to Mercer County expenditures of grant funds.

Procurement/Selection of Auditor - If grant funds are to be used to pay the costs of an audit, the procurement and selection of an auditor must comply with the requirements of the following

- 2 CFR 200.509, which also refers to Procurement Standards as set forth in 2 CFR 200.317-326, Subpart D –Post Federal Award Requirements or the FAR (48 CFR Part 42) as applicable.

In evaluating prospective auditors, a subrecipient should consider the candidates' relevant experience with the type of audit requested, qualifications and technical abilities of the specific staff to be assigned, and the results of peer and quality control reviews. Cost considerations should only be a selection factor when the other criteria have been met. Also, the auditee must make positive efforts to utilize small businesses, minority-owned firms, and women owned businesses as stated in 200.321.

Management Letter and Response - Upon receipt of the Audit, the Mercer County Housing & Community Development Staff will review the report and notify the subrecipient of any findings or recommendations. A written response from the subrecipient is required within thirty (30) days stating what corrective actions that will be taken by the subrecipient. In general, corrective action to correct findings or to implement recommendations must be completed within one (1) year or sooner if required by the County.

EXHIBIT C

PROCUREMENT, CONTRACTING AND PURCHASING

Procurement

There are five types of procurement methods as defined by 2 CFR Part 200.320. They are:

- Micro-purchase method – Micro-purchases may be awarded without soliciting competitive quotations if the entity considers the price to be reasonable. This method is used when purchasing supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed $3,000. To the extent practicable, these purchases must be distributed equitably among qualified suppliers.

- Small purchases method - This method is used when purchases are relatively simple and informal and are securing services, supplies, or other property that does not cost more than the Simplified Acquisition Threshold. Currently the threshold is $150,000. Oral and written price quotations must be solicited from at least three sources with at least two bids or quotes being received. A copy of the "Small Purchase Record" for documenting small purchases is included in the Appendix.

- Competitive sealed bid method – This is the preferred method if the procurement lends itself to a firm fixed price contract. This method is required by State law for public works expenditures over $50,000 and requires the formal advertisement for bids. For housing projects over $50,000, competitive bids are publicly advertised and solicited by email from interested parties. The bid notice should include clearly define the goods or services needed. Two or more responsible bidders are needed for effective competitive procurement. If less than two (2) bids are received, Grantees/Subrecipients will need to re-bid project and show documentation of solicitation to at least 5 vendors in addition to newspaper notice. Bids must be received with the contract being awarded to the lowest most responsive and responsible bidder.

- Competitive proposal method – This method is to be used when securing architectural, engineering and auditing services if any grant funds are used to pay (in part or in whole) for these services. Request for proposals must be solicited from an adequate number of vendors and a notice for such proposal must be published in a newspaper having general circulation throughout the County (e.g., The Facts). If only one (1) proposal is received, Grantees/Subrecipients will re-request proposals and need to show documentation of solicitation to at least 5 vendors in addition to newspaper notice documentation. The contract must be awarded by negotiating with the vendor receiving the highest ranking based on a predetermined evaluation criterion. Costs analysis must be performed prior to solicitation.

  Please note: The State of New Jersey Procurement laws is found in the 'New Jersey Local Public Contracts Law N.J.S.A. 40A:11-1 et seq', and 2 CFR 200.320, as applicable, which are included in the Appendix of this manual. The use of grant funds to pay for engineering services under an existing retainage agreement is not an allowable cost. Procedures to follow to procure professional services are described in Part 200.317-326 Procurement Standards.

- Non-competitive proposal/sole source procurement – This method must only be used when the item or service is only available from a single source, a public emergency exists, or competition was determined to be inadequate after solicitation of proposals from a number of sources.

The Section 3 registry and the NJ selective assistance vendor information (NJ SAVI) database (which includes Women and Minority Owned Businesses) shall be searched and, to the extent feasible, solicitations shall be sent to those listings.

Bonding and Insurance Requirements for Construction Projects

For public works contracts, the minimum bonding requirements are as follows:

- Bid bonds in the amount of 5% of the total bid will be required on all public works contracts in excess of $100,000. If the project is not a public works project, the County reserves the right to waive this requirement.
- Payment bonds in the amount of 100% of the total contract price will be required on all infrastructure contracts in excess of $25,000 for the County.
- Performance bonds in the amount of 100% of the total contract price are required on all infrastructure contracts in excess of $50,000.

For housing contracts that will exceed the Simplified Acquisition Threshold, the minimum requirements must be as follows:

- A bid guarantee from each bidder equivalent to five percent of the bid price. The "bid guarantee" must consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of the bid, execute such contractual documents as may be required within the time specified.
- A performance bond on the part of the contractor for 100% of the contract price. A "performance bond" is one executed in connection with a contract to secure fulfillment of all the contractor's obligation under such contract.
- A payment bond on the part of the contractor for 100% of the contract price. A "payment bond" is one executed in connection with a contract to assure payment as required by law of all persons supplying labor and material in the execution of the work provided for in the contract.

Comprehensive General Liability and Automobile Insurance in the amount of $1,000,000 is required on all contracts in excess of $100,000. Contracts less than $100,000, insurance is required in the amount of the contract.

IMPORTANT NOTICE

Failure to comply with local, State and Federal bidding requirements could result in the disallowance of costs and/or the repayment of funds as well as criminal penalties. Each HUD recipient and subrecipient shall be responsible for providing documentation of compliance with bidding requirements to the NJ Department of Community Affairs' designated funding office when requesting a disbursement of funds.

EXHIBIT D

CONSTRUCTION PROJECTS

For all construction projects assisted with CDBG-CV or HOME funds, procurement standards noted in Exhibit III must be followed as well as the following requirements, as applicable:

Engineering Requirements
All plans and specifications for infrastructure projects must be prepared by a registered professional engineer licensed to practice in the State of Texas in accordance with the Texas Engineering Practice Act. The project engineer's stamp and signature must be included on the plans and specifications.

Davis-Bacon Wage Rates - All construction contractors will be required to pay all laborers wage rates at the current prevailing wage rates in accordance the Davis-Bacon Act. These wage rates will need to be included in the bid/contract documents and can be found and downloaded from:

https://www.wdol.gov/dba.aspx

Also, within ten (10) days of opening bids, wage rates issued for the project must be verified and still valid. In the event that an addendum has been issued to the original or a new wage rate decision has been issued, these new wage rates must be used. Send Mercer County Housing & Community Development Department the memo confirming that this ten-day verification has been made (see 10-day Wage Rate Verification in Attachment C).

For information on recordkeeping requirements, the correct prevailing wage rates, or request for classification, contact Ed Pattik, Housing & Community Development Director, Mercer County at 609-989-6959 or (Spanish) 609-989-6736. A listing of job titles and description of the work performed will be needed before requesting wage rates.

Contractor Verification(s) - All contractors must be verified to determine if they are debarred or prohibited from federal contracts. Contractors and Subcontractors must complete the Eligibility form in Attachment C and return to CD Dept. so that a search can be completed. An Internet search must be conducted using the following websites:

https://www.sam.gov/portal/SAM/#1
https://portal.hud.gov/hudportal/HUD?src=/topics/limited_denials_of_participation

Attorney's Review - Before infrastructure project contract documents in excess of $50,000 are fully executed, the City Attorney should review and approve the bid and contract documents by signing the applicable form included in the bid/contract documents.

Easements - Any easement, rights-of-way or land acquisition needed for the project must be fully in hand before awarding any construction contract. If easements or rights-of-way are needed please contact Mercer County immediately. Special procedures are required for obtaining property when federal funds are used.

Change Orders/Amendments - Change orders/Amendments should first be submitted to Mercer County prior to their execution if a change in the scope of work, change in work location or a change in the number of beneficiaries exists. Also, state law regulates the percentage of contract increases and decreases.

Retainage - Ten percent (10%) retainage is typically held on all request for payments. The retainage will be paid as part of the final payment after final inspection and the engineer and authorized City Official has given approval of the work and all payroll reports have been submitted. For Rehab/Reconstruction projects, the retainage will be held until all punch list items have been completed, Affidavit of All Bills Paid is received, all completion documents signed, and a Certificate of Occupancy, if applicable, is received.

Bid and Contract Documents All bid/contract documents included in bid/contract should be fully executed and a full set furnished to Mercer County as soon as possible.

Notice to Proceed - The project engineer, if applicable, must send a letter notifying the contractor when the official start date is for all construction contracts. This letter must also specify the number of days allowed to complete the project and the amount of liquidated damages if time delays occur. A copy of this notice must be sent to Mercer County.

Preconstruction Conference - Normally the project engineer will conduct a preconstruction conference prior to the start of construction and following the contract award. Mercer County shall be notified of the time and date of this preconstruction conference as soon as it has been determined.

The Contractor shall submit a list of any subcontractors proposed to be used on the project. Company name and principal stakeholders of subcontractors will be submitted and searched for verification of debarment.

Certified Payroll – Certified payroll through the date of the pay estimate must be submitted to the Mercer County Housing & Community Development Office prior to any payments being approved. These will be reviewed in conjunction with the Employee Interviews for consistency.

Employee Interviews - During the construction work the engineer or designated staff must interview the construction workers on the job using the Record of Employee Interview form. All information requested should be filled in and signed by both the employee and the interviewer. Upon completion of these interviews, the original forms should be sent to Mercer County Housing & Community Development Office.

Payments to Contractor - Normally, payments to contractors will be made upon receipt of the monthly pay estimates from the engineer or the contractor. This monthly pay estimate must be approved and signed by the contractor, engineer, and the city.

The monthly pay estimates should be sent to the Mercer County Housing & Community Development Office. Upon receipt and approval of the pay estimate, the County will process the payment. It normally takes one to two weeks before payment is made.

Final Inspection – For all public facility projects, a certificate of completion pertaining to the project construction must be completed and submitted to Mercer County by the engineer following final inspection.

EXHIBIT E

PROPERTY MANAGEMENT AND DISPOSITION

Property - is classified according to the following distinct categories:

- Real Property means land, including any improvements but excluding movable machinery and equipment.
- Personal Property is basically any kind of property other than real property. Personal property can be "tangible" such as supplies, furniture, and equipment or "intangible" such as copyrights, patents, and inventions.

Equipment - For all equipment acquired in whole or in part with CDBG-CV funds, the following records must be kept for the useful life of the property and/or until disposal:

- Agency
- Equipment Description
- Physical Location
- Funding Source
- Total Cost
- Percentage from Grant Funds
- Acquisition Date
- Serial #/ID #
- Title Holder (if applicable)
- Use and Condition
- Disposition Date

*Equipment cannot be purchased with HOME program funds.

Inventory - The County must conduct a physical inventory of all property with a value of $5,000.00 or above at least every two years and retain a copy of the reconciliation until disposal or the end of the useful life. Whenever the equipment is no longer needed for the original project, program, or activity, the subrecipient must either transfer the equipment to another eligible party or it may be sold, retained, or otherwise disposed with any proceeds going to the County. Proceeds from any sale must be treated as program income.

Supplies – The residual inventory of supplies not needed by the subrecipient for CDBG-CV activities must be transferred to the County or can be retained by the subrecipient after compensating the County. In cases where the residual inventory of supplies is sold, the proceeds are considered program income and must be paid back to the County.

Copyrights – The Federal government and the County of Mercer reserves a royalty-free, non- exclusive, and irrevocable license to reproduce, publish or otherwise use, and to authorize others to use the copyright to any work development with CDBG-CV or HOME funds.

Real Property – A record of any real property purchased by the County or any subrecipient must be kept to ensure that program income from sales or rental from such property or assets is properly reported.

Use and Disposition - The use and disposition of real property and equipment under this agreement shall be in compliance with the requirements of 2 CFR 200, Subpart D, Property Standards and 24 CFR 570, Subpart J, Grant Administration. Specific requirements include 2 CFR 200.311, 2 CFR 200.313, 2 CFR 200.314, 24 CFR 570.502, 24 CFR 570.503, 24 CFR 570.504 and 24 CFR 570.505,
as applicable, which include but are not limited to the following:

a. The Subrecipient shall transfer to the Mercer County any funds on hand and any accounts receivable attributable to the use of funds under this Agreement at the time of expiration, cancellation, or termination.

b. Real property within the recipient's control which was acquired or improved in whole or in part using under this Agreement using CDBG-CV funds in excess of $25,000.00 shall apply from the date CDBG-CV funds are first spent for the property until five (5) years after closeout of an entitlement recipient's participation in the entitlement CDBG-CV program or, with respect to other recipients, until five (5) years after the closeout of the grant from which the assistance to the property was provided as specified in 24 CFR 570.505. If the Subrecipient fails to use CDBG-CV -assisted real property in a manner that meets a CDBG-CV National Objective for the prescribed time period, the property is to be disposed of in a manner which results in Mercer County being reimbursed in the amount equal to the current fair market value of the property less any portion of the value attributable to expenditures of non-CDBG funds for acquisition of, or improvement to, the property. Such payment to Mercer County shall constitute CDBG-CV Program Income and shall be subject to the provisions of 24 CFR 570.489(e).

c. Personal property, supplies, and equipment acquired under this Agreement shall revert to Mercer County or disposition in compliance with 24 CFR 570.503(b)(7), unless Subrecipient continues to carry out the same Program for which said property, supplies, and equipment was acquired or the Subrecipient shall compensate Mercer County for CDBG-CV's share in compliance with 2 CFR 200.313(e), 2 CFR 200.314 and 24 CFR 570.502(a)(6).

EXHIBIT F

RECORDKEEPING AND REPORTING REQUIREMENTS

Accurate recordkeeping and reporting is crucial to document to HUD and the general public that public funds are being spent for what they were intended for and in compliance with Federal rules and regulations. Every subrecipient is required to establish and maintain at least three categories of records:

- Administrative records – These are files and records that apply to the overall administration of the Subrecipient's activities. They will include personnel files, property management files, general program files (application, subrecipient agreement, correspondence, reports, etc.), and legal files (articles of incorporation, by laws, tax status, board minutes, contracts and other agreements).

- Financial records – These include the general ledger, equipment inventory records, time sheets and payroll records, and support documentation (purchase orders, invoices, canceled checks, etc.) procurement files, bank account records, financial reports, audit reports, etc.

- Project/case files – These files document the activities undertaken with respect to specific individual beneficiaries, property owners, and/or properties.

The County frequently specifies that subrecipients record-keeping requirements be very similar to those found in 24 CFR 570.503(b)(2) and 24 CFR 92.504 for CHDO's, so that they demonstrate compliance with program requirement requirements. Therefore a subrecipient should anticipate having to maintain records sufficient to:

- provide a full description of each activity
- demonstrate that each activity undertaken meets one of the National Program Objectives
- identify characteristics and the location of beneficiaries
- document compliance with federal requirements such as use of excessive force, conflict of interest, displacement, labor standards, bidding, fair housing, EEO, determination of allowability of costs etc.
- report the status of the case or project

Environmental Record - Subrecipients are not responsible for providing documentation for the initial environmental review of an activity because they cannot assume the grantee's responsibility. Mercer County Housing & Community Development Department will assume that duty.

File Organization and Maintenance – To keep consistency throughout the program, each project file should contain the records as listed in the appropriate checklist.

Retention of Records – In general, all records are to be retained for at least five (5) years from the date of the last "event" (e.g., final payment). If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the retainage period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular retainage period, whichever is later.

Access – All records pertinent to grant award must be accessible to County staff and representatives, HUD, the General Accounting Office, and/or other authorized governmental agencies.