SAMPLE HANDBOOK

Community Development Block Grant (CDBG) Policies and Procedures

[Your organization's name]

Written from 24 CFR Part 570, checked November 10, 2026.

How to use this sample

Replace the bracketed name with your organization's. Change the job titles to the ones you use. Have the people who do the work read each section and correct anything that does not match how you operate. Then have your director or board approve it and sign the last page.

This is a sample, not legal advice. It follows the federal regulation. Your grant agreement and your funder's manual can add or tighten requirements, and they control where they differ.

Introduction

This handbook explains the policies and procedures our organization uses to manage Community Development Block Grant (CDBG) funds. We receive these funds from a city or county, called the grantee in this handbook, under a written subrecipient agreement. The grantee receives the funds from the U.S. Department of Housing and Urban Development (HUD) under the CDBG Entitlement program. The rules come from 24 CFR Part 570, from the federal grant rules in 2 CFR Part 200, and from our agreement. Where the agreement or the grantee sets a stricter rule, a deadline or a form, we follow the agreement. Each section states our policy, lists the steps we follow and who is responsible, and names the rules the section rests on. The executive director reviews this handbook once a year and whenever the agreement or the rules change.

What the program expects in writing

- A signed subrecipient agreement with a statement of work, a schedule and a budget (24 CFR 570.503(a) and (b)(1))
- Records showing that each activity meets a national objective, including the income limits used and the date each person or household was qualified (24 CFR 570.506(b))
- Written procedures for deciding whether a cost is allowable (2 CFR 200.302(b)(7))
- Written procedures for requesting and handling grant payments (2 CFR 200.302(b)(6))
- Documented internal controls over grant funds (2 CFR 200.303(a))
- Financial records that show the source and use of CDBG funds, backed by source documents (2 CFR 200.302(b)(3))
- Time records for every employee whose pay is charged to the grant (2 CFR 200.430(g)(1))
- Documented procurement procedures (2 CFR 200.318(a))
- Written standards of conduct covering conflicts of interest (2 CFR 200.318(c)(1); 24 CFR 570.611)
- Property records for equipment bought with grant funds, with a physical inventory at least once every two years (2 CFR 200.313(d)(1) and (d)(2))
- Data on the race and ethnicity of the people served, and on households headed by a single person (24 CFR 570.506(g)(2))
- A record retention rule that keeps CDBG records for the full period the regulation sets (24 CFR 570.502(a)(7)(ii))

1. Subrecipient agreement and scope of work

OUR POLICY

We do not spend or commit CDBG funds until the grantee and our organization have both signed a written subrecipient agreement. We carry out only the work described in the agreement, within its budget and schedule. We ask the grantee for a written amendment before we change the scope, the budget or the timeline.

WHAT WE DO

1 The executive director reads the full agreement before signing it and confirms that it includes a statement of work, a schedule and a budget.

2. The executive director signs the agreement only after the board of directors has approved it in the way our bylaws require.
3. The program director makes a one-page summary of the agreement that lists the activity, the people to be served, the performance targets, the reports and their due dates.
4. The finance manager sets up the approved budget in the accounting system by budget line before any cost is charged.
5. The program director compares actual progress to the schedule and targets each month and tells the executive director about any shortfall.
6. The executive director asks the grantee in writing for an amendment before any change to the scope of work, the budget or the end date takes effect.
7. The finance manager keeps the signed agreement, every amendment and all letters and emails with the grantee about the agreement in the grant file.

Rules this covers: 24 CFR 570.503(a); 24 CFR 570.503(b)(1); 24 CFR 570.503(b)(4); 24 CFR 570.501(b); 24 CFR 570.500(c)

2. Eligible activity, national objective and beneficiary documentation

OUR POLICY

We use CDBG funds only for the eligible activity named in our agreement, and we keep records that show the activity meets a national objective. Our activity qualifies by benefiting low- and moderate-income persons, which means members of families with income at or below the Section 8 low-income limit that HUD sets for our area. That limit is generally 80 percent of the area median income, adjusted for family size. For a service with a limited clientele, at least 51 percent of the people we serve must be low- and moderate-income, unless the agreement states another way the activity qualifies.

WHAT WE DO

1. The program director records in the grant file which eligible activity and which national objective test the agreement uses, such as limited clientele, area benefit or housing.
2. The program director gets the current HUD income limits for our area from the grantee each year and gives intake staff the limits by family size.
3. The intake staff collect each participant's family size and annual income at intake, using the definition of income and the form the grantee has approved.
4. The intake staff record the income limit that was applied and the date the participant was qualified, and place the signed form in the participant file.
5. The program director accepts a signed self-certification of income, or proof that the person qualifies under another program with income rules at least as strict, only where the grantee allows it.
6. The program director keeps documents showing that the program serves only a group HUD presumes to be low- and moderate-income, such as elderly persons or homeless persons, when the activity qualifies that way.
7. The program director totals the people served each month and confirms that at least 51 percent are low- and moderate-income.
8. The program director confirms for a housing activity that each assisted home is occupied by a low- and moderate-income household and keeps the size and income of that household on file.

Rules this covers: 24 CFR 570.200(a); 24 CFR 570.201(e); 24 CFR 570.208(a)(2)(i); 24 CFR 570.208(a)(3); 24 CFR 570.3; 24 CFR 5.603(b); 24 CFR 570.506(a); 24 CFR 570.506(b)

3. Financial management and allowable costs

OUR POLICY

We keep accounting records that show where every CDBG dollar came from and what it paid for. We charge a cost to the grant only when it is needed for the activity, is reasonable, fits the approved budget, is treated the same way as our other costs, and is backed by documents. We do not charge the same cost to more than one funding source.

WHAT WE DO

1. The finance manager records CDBG revenue and expenses under a separate fund or grant code so they can be reported apart from all other funds.
2. The program director approves each cost before it is paid and notes the budget line it belongs to.
3. The finance manager tests each cost against our written allowability checklist before posting it to the grant: necessary, reasonable, allocable to the activity, within the budget, and documented.
4. The finance manager splits a shared cost, such as rent or insurance, across programs using a written allocation method that reflects the benefit each program receives.
5. The finance manager charges indirect costs only as the agreement allows, using either a federally negotiated rate or the de minimis rate of up to 15 percent of modified total direct costs.
6. The finance manager compares actual spending to the budget for each line every month and gives the report to the executive director and the program director.
7. The executive director makes sure that different people approve a payment, record it and reconcile the bank account, or sets up a board review where staffing is too small to separate the duties.
8. The board treasurer reviews the monthly bank reconciliation and the grant budget report.

Rules this covers: 24 CFR 570.502(a); 24 CFR 570.610; 24 CFR 570.200(a)(5); 2 CFR 200.302(b); 2 CFR 200.303(a); 2 CFR 200.403; 2 CFR 200.405(a); 2 CFR 200.414(f)

4. Reimbursement requests and source documentation

OUR POLICY

We ask the grantee for payment in the way and on the schedule our agreement sets. Most agreements pay by reimbursement, which means we pay a cost first and then ask to be paid back. Every amount on a payment request is backed by an original document that shows what was bought, when, and that it was paid.

WHAT WE DO

1. The finance manager prepares each payment request from the accounting records, using the grantee's form and the schedule in the agreement.
2. The finance manager attaches the source documents for every cost, such as invoices, receipts, payroll registers, timesheets and proof of payment.
3. The finance manager checks that each cost was incurred during the agreement period and has not been billed to this grant or any other funder before.

4 The program director confirms that the costs on the request match the work done in the period and signs the request.
5 The executive director reviews and signs the request before it is sent to the grantee.
6 The finance manager records the payment when it arrives and matches it to the request.
7 The finance manager follows the cash rules in the agreement if the grantee pays in advance, which means asking only for what is needed right away and paying it out promptly.
8 The finance manager keeps a copy of each request with all of its backup in the grant file.

Rules this covers: 2 CFR 200.302(b)(3); 2 CFR 200.302(b)(6); 2 CFR 200.305(b); 2 CFR 200.403(g); 24 CFR 570.506(h)

5. Timekeeping and payroll charges

OUR POLICY

We charge salaries and wages to the grant based on records of the work employees actually did. A budget estimate alone is not used to support a salary charge. Each employee's record covers all of the work we pay that employee for, so the total never comes to more than 100 percent of their time.

WHAT WE DO

1 Each employee paid in whole or in part with CDBG funds records the hours worked on the CDBG activity and on every other program or funding source.
2 Each employee who is paid by the hour and is entitled to overtime also records the total hours worked each day.
3 Each employee signs the time record at the end of the pay period, on paper or electronically.
4 The program director reviews and approves each time record and confirms that the hours charged to CDBG match the work done.
5 The finance manager charges wages and benefits to the grant from the approved time records and not from the budgeted percentages.
6 The finance manager corrects the charges if a budgeted split was used for interim bookkeeping and the actual time turns out to be different.
7 The finance manager keeps time records, payroll registers and proof of payroll tax and benefit payments with the grant records.

Rules this covers: 2 CFR 200.430(g)(1); 2 CFR 200.430(g)(3); 2 CFR 200.403(g)

6. Program income

OUR POLICY

Program income is gross income our organization receives that was directly generated by the use of CDBG funds, such as client fees for a CDBG-funded service, loan repayments, or rent from property bought or improved with the grant. We record all of it and report it to the grantee. Our agreement states whether we return program income to the grantee or keep it for the activities the agreement names, and we follow the agreement.

WHAT WE DO

1 The program director tells the finance manager about any fee, repayment, rent or sale that results from the CDBG-funded activity.

2. The finance manager records program income under its own account code on the day it is received.
3. The finance manager reports program income to the grantee on the schedule and form the agreement sets, and leaves the decision about whether an amount counts to the grantee.
4. The finance manager returns program income to the grantee if the agreement requires it.
5. The finance manager spends retained program income on the activities named in the agreement before asking the grantee for more grant funds.
6. The finance manager records money raised through our own fundraising separately, because proceeds from a subrecipient's fundraising are not program income.
7. The executive director sends the grantee any program income on hand when the agreement ends, along with any received after that date.

Rules this covers: 24 CFR 570.500(a); 24 CFR 570.504(a); 24 CFR 570.504(c); 24 CFR 570.503(b)(3); 24 CFR 570.503(b)(7); 24 CFR 570.502(a)(3)

7. Procurement and conflicts of interest

OUR POLICY

We buy goods and services with CDBG funds through open and fair competition, following our documented procurement procedures and the federal procurement standards. No employee, officer, agent or board member takes part in choosing or managing a contract when that person, a family member, a partner or their employer has a financial or other interest in it. People who work on our CDBG activity do not gain a financial interest or benefit from it during their time with us or for one year after.

WHAT WE DO

1. The finance manager keeps our procurement procedure current and records in it the dollar thresholds we use for very small purchases, for purchases that need price quotes, and for purchases that need sealed bids or proposals.
2. The staff member making a very small purchase, called a micro-purchase, checks that the price is reasonable and keeps a note of how.
3. The program director gets written price or rate quotes from an adequate number of qualified sources for a purchase above the micro-purchase threshold and up to our simplified acquisition threshold.
4. The executive director uses sealed bids or a request for proposals, with public notice, for a purchase above our simplified acquisition threshold, and asks the grantee about its own requirements first.
5. The finance manager checks SAM.gov before any contract is signed to confirm the contractor is not suspended or debarred, and keeps a dated printout.
6. The finance manager keeps a file for each purchase that shows the method used, why the contractor was chosen or others were rejected, and the basis for the price.
7. Each employee, officer and board member signs our standards of conduct each year, discloses any conflict to the executive director, and stays out of the decision.
8. The executive director reports any conflict that involves a benefit from the CDBG activity to the grantee, because only HUD can grant an exception and only the grantee can ask for one.

Rules this covers: 24 CFR 570.611; 24 CFR 570.609; 2 CFR 200.318(a); 2 CFR 200.318(c)(1); 2 CFR 200.318(i); 2 CFR 200.319(a); 2 CFR 200.320; 2 CFR 200.214; 2 CFR 200.327

8. Equipment, real property and reversion of assets

OUR POLICY

We buy equipment with CDBG funds only when the agreement budget allows it, and we track that equipment until it is disposed of. Equipment means an item that lasts more than one year and costs at least 10,000 dollars per unit, or less if our own capitalization level is lower. If more than 25,000 dollars of CDBG funds is used to buy or improve real property under our control, we keep using the property for a purpose that meets a national objective until five years after the agreement expires, or longer if the grantee sets a longer period. When the agreement expires, we return unspent CDBG funds and amounts owed to us from the use of CDBG funds to the grantee.

WHAT WE DO

1. The executive director gets the grantee's written approval before buying equipment with CDBG funds, because equipment purchases are generally not eligible unless they are part of a public service or needed to run the activity.
2. The finance manager lists each piece of equipment in a property record with its description, serial number, funding source, title holder, purchase date, cost, share paid with federal funds, location, use and condition.
3. The finance manager takes a physical inventory of grant-funded equipment at least once every two years and reconciles it to the property record.
4. The program director reports any loss, damage or theft of equipment to the executive director, who investigates and tells the grantee if the program is affected.
5. The executive director asks the grantee for instructions before selling, transferring or disposing of equipment, and treats sale proceeds as program income.
6. The executive director notifies the grantee in writing before any change in the use, sale or transfer of real property bought or improved with more than 25,000 dollars of CDBG funds.
7. The executive director arranges payment to the grantee of the property's current market value, less the share paid for with other funds, if the property stops meeting a national objective during the required period.
8. The finance manager returns unspent CDBG funds and assigns CDBG receivables to the grantee when the agreement expires.

Rules this covers: 24 CFR 570.503(b)(7); 24 CFR 570.505; 24 CFR 570.502(a)(5); 24 CFR 570.502(a)(6); 24 CFR 570.207(b)(1)(iii); 2 CFR 200.313(d); 2 CFR 200.313(e); 2 CFR 200.1

9. Environmental review, labor standards and Section 3

OUR POLICY

The grantee is responsible for the environmental review of our activity. We do not commit or spend CDBG funds, sign contracts or start physical work until the grantee tells us in writing that the review is complete. When CDBG funds pay for construction or rehabilitation, we follow the federal labor standards, the Section 3 hiring and contracting rules and the lead-based paint rules that apply to the project, as the grantee directs. These rules rarely apply to a public service activity with no construction.

WHAT WE DO

1. The program director gives the grantee the project description, address and any other information it needs to complete the environmental review.
2. The executive director waits for the grantee's written environmental clearance before buying property, signing a construction contract or starting work, including work paid for with other funds.
3. The program director tells the grantee before any change to the project's location, size or scope, so the grantee can decide whether the review has to be updated.
4. The executive director asks the grantee before bidding whether Davis-Bacon prevailing wage rules apply, which they generally do for construction contracts over 2,000 dollars paid in whole or in part with CDBG funds, except for rehabilitation of residential property with fewer than 8 units.
5. The program director includes the wage decision and the required labor clauses in the bid documents and contract, collects weekly certified payrolls from contractors, and sends them to the grantee as instructed.
6. The program director asks the grantee whether Section 3 applies, which it does for housing rehabilitation, housing construction and other public construction projects that receive more than 200,000 dollars in HUD housing and community development assistance.
7. The program director collects from contractors on a Section 3 project the total labor hours and the hours worked by Section 3 workers and Targeted Section 3 workers, and reports them to the grantee.
8. The program director follows the grantee's lead-based paint requirements for any CDBG-funded work on housing.

Rules this covers: 24 CFR 570.200(a)(4); 24 CFR 570.503(b)(5)(i); 24 CFR 570.604; 24 CFR 58.22(a); 24 CFR 570.603; 29 CFR 5.5(a); 24 CFR 570.607(b); 24 CFR 75.3(a)(2); 24 CFR 75.25(a); 24 CFR 75.27; 24 CFR 570.608

10. Civil rights, accessibility, faith-based rules and political activity

OUR POLICY

We do not exclude anyone from our CDBG-funded program, deny anyone its benefits or discriminate against anyone on the grounds of race, color, national origin, religion or sex, and we follow the federal rules against discrimination based on age and disability. We do not use CDBG funds for explicitly religious activities such as worship, religious instruction or proselytization, and we do not treat anyone differently because of religion or the lack of it. We do not use CDBG funds for partisan political activity or for lobbying.

WHAT WE DO

1. The program director posts a nondiscrimination notice where the public can see it and includes it in program applications and outreach materials.
2. The intake staff collect each participant's race and ethnicity, and whether the household is headed by a single person, on the form the grantee provides.
3. The program director holds CDBG-funded services in places that people with disabilities can reach and use, and arranges reasonable accommodations when someone asks for one.
4. The program director makes sure any explicitly religious activity we offer is held at a separate time or place from the CDBG-funded program and that taking part is voluntary.
5. The finance manager makes sure no CDBG funds pay for partisan political activity such as candidate forums, voter transportation or voter registration, or for lobbying costs.
6. The executive director logs any discrimination complaint, responds to the person in writing and tells the grantee as the agreement requires.
7. The program director follows fair housing law in any CDBG-funded housing activity and sends fair housing questions to the grantee.

Rules this covers: 24 CFR 570.601; 24 CFR 570.602; 24 CFR 570.614; 24 CFR 570.506(g)(2); 24 CFR 570.200(j); 24 CFR 5.109; 24 CFR 570.207(a)(3); 2 CFR 200.450

11. Records, reports, monitoring and audits

OUR POLICY

We keep the records and send the reports our agreement names, and we give the grantee, HUD and auditors access to our CDBG records when they ask. We keep the records for each CDBG activity for three years after the agreement expires or ends, or three years after the grantee submits the annual performance report to HUD that covers the activity for the last time, whichever is longer. We keep them longer when real property rules still apply, when a loan or other amount is still owed, or when an audit, claim or lawsuit is still open. If we spend 1,000,000 dollars or more in federal awards from all sources in our fiscal year, we have a single audit for that year.

WHAT WE DO

1. The program director keeps a grant file with the agreement, participant and income records, performance data, reports and letters and emails with the grantee.
2. The finance manager keeps the financial file with payment requests, source documents, time records, procurement files and property records.
3. The program director sends performance reports to the grantee on the schedule and form the agreement sets, and the finance manager sends the financial reports.
4. The executive director asks the grantee in writing for the date the retention period ends for each activity, and no one destroys CDBG records before that date.
5. The program director stores participant files in locked cabinets or protected electronic folders and limits access to staff who need it.
6. The executive director prepares for each monitoring visit, answers any finding in writing by the grantee's deadline, and tracks each corrective action until it is done.
7. The finance manager totals federal spending from all sources at the end of each fiscal year and tells the executive director whether it reached the single audit threshold.

8 The executive director hires an independent auditor when a single audit is required and makes sure the audit report is submitted by the earlier of 30 calendar days after we receive it or nine months after the fiscal year ends.

Rules this covers: 24 CFR 570.503(b)(2); 24 CFR 570.506; 24 CFR 570.502(a)(7)(ii); 24 CFR 570.501(b); 2 CFR 200.334; 2 CFR 200.337(a); 2 CFR 200.303(e); 2 CFR 200.329(a); 2 CFR 200.332(e); 2 CFR 200.501; 2 CFR 200.512(a)(1)

Adoption

This handbook was reviewed and adopted by our organization on the date below. We review it once a year and whenever the grant agreement or the regulation changes.

Adopted by: _____ Title: _____

Signature: _____ Date: _____

Sources

- 24 CFR Part 570: The CDBG program regulations. Subpart C covers eligible activities and national objectives, subpart J covers grant administration, and subpart K covers other federal requirements. https://www.ecfr.gov/current/title-24/subtitle-B/chapter-V/subchapter-C/part-570
- 24 CFR 570.503: What the written agreement between the grantee and a subrecipient has to include. https://www.ecfr.gov/current/title-24/section-570.503
- 24 CFR 570.506: The records that have to be kept for each CDBG activity, including national objective and income records. https://www.ecfr.gov/current/title-24/section-570.506
- 2 CFR Part 200: The federal Uniform Administrative Requirements, Cost Principles, and Audit Requirements, which 24 CFR 570.502 applies to subrecipients with some exceptions. https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200
- 24 CFR 5.109: HUD's rule on equal participation of faith-based organizations, applied to CDBG by 24 CFR 570.200(j). https://www.ecfr.gov/current/title-24/section-5.109
- 24 CFR Part 58: HUD's environmental review procedures, including the limit on committing funds before clearance in section 58.22. https://www.ecfr.gov/current/title-24/subtitle-A/part-58
- 24 CFR Part 75: The Section 3 rule on jobs and contracts for low- and very low-income persons on HUD-assisted construction projects. https://www.ecfr.gov/current/title-24/subtitle-A/part-75
- 29 CFR 5.5: The Department of Labor contract clauses for Davis-Bacon prevailing wages on federally assisted construction. https://www.ecfr.gov/current/title-29/section-5.5
- HUD Exchange: CDBG Entitlement Program: HUD's main page for the CDBG Entitlement program. https://www.hudexchange.info/programs/cdbg-entitlement/
- Playing by the Rules: A Handbook for CDBG Subrecipients on Administrative Systems: HUD's own handbook for subrecipients on financial management, procurement, property, record keeping and audits. https://www.hudexchange.info/resource/687/playing-by-the-rules-a-handbook-for-cdbg-subrecipients-on-administrative-systems/