

City of Covington

Community Development Block Grant – Disaster Recovery (CDBG-DR) and Mitigation (CDBG-MIT)

Financial Management Policy

SECTION 1: PURPOSE

It is the purpose of this policy to serve as a guideline for the financial management of the Community Development Block Grant Disaster Recovery (CDBG-DR) and Mitigation (CDBG-MIT) programs administered by the Louisiana Office of Community Development – Disaster Recovery (LOCD-DR) by the City of Covington (the “City”). These guidelines are established in accordance with 2 CFR Part 200 (Uniform Guidance), including 2 CFR 200.300, 2 CFR 200.334, HUD requirements, and applicable State of Louisiana requirements.

The City’s accounting software (TylerERP) is designed to capture all financial transactions and supporting documentation. Financial reporting packages are provided to the City Council on a monthly basis for review. Any budget adjustments and/or operational financial matters are addressed at City Council meetings.

The City maintains systems to ensure accurate reporting, compliance, and transparency in the administration of all CDBG-DR and CDBG-MIT funds.

SECTION 2: RECORD KEEPING AND RETENTION

Financial and programmatic records shall be retained as provided in Section 4.3 of the City’s CDBG-DR/MIT Records Management Policy. Records shall be maintained in a manner that allows for access by State officials, HUD representatives, auditors, and other authorized entities.

Records include, but are not limited to:

- Financial statements and accounting records
- Source documentation (invoices, receipts, payroll, contracts, purchase orders)
- Reconciliation records
- Procurement files
- Progress reports and requests for payment submitted to LOCD-DR (through IGX), with supporting documentation
- Award and subrecipient documentation

SECTION 3: SUPPORTING DOCUMENTATION

All accounting records shall be supported by adequate source documentation, including but not limited to:

- Paid invoices and bills
- Purchase orders and requisitions
- Payroll records
- Grant agreements

- Contracts and amendments
- Proof of payment and bank records

All expenditures must be reasonable, necessary, and allowable under CDBG-DR and CDBG-MIT program requirements. The City operates a requisition and purchase order system for all procurement-related expenditures. No payment shall be made without appropriate documentation and approval, except in documented emergency circumstances as defined under applicable State Bid Law and City policy.

SECTION 4: DUPLICATION OF BENEFITS

No duplication of benefits shall occur through the use of local, state, federal, or private funds.

In accordance with the Stafford Act and HUD CDBG-DR and CDBG-MIT requirements, disaster recovery and mitigation funds may not be used for costs that have already been funded by another source for the same purpose when no unmet need remains.

For additional requirements, refer to the City of Covington Duplication of Benefits Policy.

SECTION 5: ADVANCE FUNDING

The City shall not request advance funding from LOCD-DR. All requests for payment shall be processed on a reimbursement basis only.

Subrecipients and contractors are also prohibited from requesting or receiving advance funding of CDBG-DR or CDBG-MIT funds unless explicitly authorized by HUD and the State.

SECTION 6: LUMP SUM DRAWDOWNS

The City shall not request lump sum payments from LOCD-DR. All requests for payment shall be based on actual incurred costs supported by proper documentation.

SECTION 7: INTERNAL CONTROLS

Internal controls are the policies, procedures, organizational structures, and recordkeeping systems that ensure proper stewardship of CDBG-DR and CDBG-MIT funds.

The City shall maintain internal controls that meet the following minimum requirements:

1. Segregation of Duties

- No single individual shall control all phases of a financial transaction.
- Authorization, recordkeeping, custody of assets, and reconciliation duties shall be separated whenever possible.

2. Procurement and Payment Controls

- Purchase orders must be approved prior to purchase.
- All requisitions must be reviewed and approved by appropriate supervisory personnel.
- Invoices must be reviewed, matched to purchase orders, and approved prior to payment.
- Payments must be reviewed and approved by authorized personnel before release.

3. Approval of Requisitions and Expenditures

- Department Heads or designees must approve requisitions.
- Requisitions over \$500 require approval by the Chief Administrative Officer (CAO) or designee.
- Emergency purchases must follow documented emergency procedures and require completion of an Emergency Purchase Form signed by authorized officials.

4. Coding and Tracking of Funds

- All CDBG-DR and CDBG-MIT expenditures must be properly coded in the accounting system (TylerERP) to ensure accurate tracking by project, funding source, and activity.
- Coding must align with the approved budget and activities in the City's Cooperative Endeavor Agreement (CEA) with LOCD-DR.

5. Financial Oversight

- Monthly financial reports are reviewed by management and the City Council.
- The Finance Director is responsible for oversight of financial integrity and compliance.

SECTION 8: ACCOUNTING RECORDS AND SYSTEMS

The City shall maintain accounting records that clearly identify the source and application of all CDBG-DR and CDBG-MIT funds.

The accounting system shall:

- Operate on a modified accrual basis;
- Track receipts and expenditures by project and activity;
- Generate financial reports upon request; and
- Maintain audit-ready documentation for all transactions.

Each CDBG-DR and CDBG-MIT project shall be tracked separately to ensure transparency and proper reporting.

SECTION 9: FINANCIAL SYSTEM RECONCILIATION

The City shall maintain reconciliation procedures between its internal accounting system (TylerERP) and the requests for payment submitted to LOCD-DR through IGX.

Reconciliation Requirements:

1. Monthly reconciliation of requests for payment submitted through IGX and reimbursements received from LOCD-DR to TylerERP general ledger records;
2. Verification that expenditures included in requests for payment match supporting documentation and accounting records;
3. Identification and correction of discrepancies in a timely manner;
4. Review of project-level balances to ensure alignment between IGX, the CEA budget, and the accounting system; and
5. Documentation of all reconciliation activities for audit purposes.

Reconciliations shall be reviewed and approved by the Finance Director or designated financial officer.

SECTION 10: RECORDING OF FINANCIAL TRANSACTIONS

All financial transactions shall be recorded in accordance with the City's established accounting procedures and applicable financial management memos, including the Accounting Process Memo dated December 31, 2021.

Transactions shall be recorded in a timely, accurate, and consistent manner to ensure proper financial reporting and compliance.

SECTION 11: REGULAR RECONCILIATION

Bank statements shall be retrieved and reviewed by accounting staff who are not responsible for cash receipts or disbursements.

Bank reconciliations shall be:

- Completed within 10 business days of receipt of bank statements;
- Prepared by an individual with no authority to sign checks, authorize payments, or handle cash receipts;
- Reviewed and approved by the Finance Director;
- Properly dated, signed, and maintained for audit purposes.

In accordance with Louisiana Revised Statute 10:4-406(d)(2), reconciliations must be completed in a timely manner to ensure identification of unauthorized transactions.

SECTION 12: BANK SECURITY AND MONITORING

The Finance Director shall review bank balances monthly to ensure funds are properly secured.

Security of deposits shall comply with:

- Louisiana Revised Statute 39:1221 (eligible securities); and
- Louisiana Revised Statute 39:1225 (required collateralization amounts).