



Program Administrative Cost Interchangeability Checklist

August 2024

Community Development Block Grant Disaster Recovery

INTRODUCTION

Interchangeability is a provision of recent Appropriations Acts which allows grantees the flexibility to use Community Development Block Grant Disaster Recovery (CDBG-DR) and CDBG-Mitigation (CDBG-MIT) funds allocated under different appropriations (as applicable) interchangeably under certain circumstances. It is important for grantees to understand how to use the flexibility provided through interchangeability provisions to their advantage to streamline recovery and align the different requirements found across appropriations.

Interchangeability provisions cover two concepts, known as program administrative costs interchangeability and grant funds interchangeability, both of which are defined below.

- **Program Administrative Costs (PAC) Interchangeability:** The authority to use CDBG-DR and CDBG-MIT funds interchangeably for administrative costs.
- **Grant Funds Interchangeability:** The authority to use grant funds interchangeably, as long as the most impacted and distressed (MID) areas overlap and the activities address the unmet needs of both disasters (e.g., planning costs, Activity Delivery Costs, activity costs, etc.).

This checklist focuses on **PAC interchangeability** and is designed to give grantees a quick reference tool to understand various interchangeability requirements and offer best practices to assist in establishing processes, policies, and procedures. Grantees should view this tool as simplified guidance for establishing interchangeability, while keeping in mind other necessary policies and procedures.

Before using this checklist, please review [CDBG-DR Policy Bulletin 2023-02: Interchangeability Provisions and Other Flexibilities](#) for comprehensive guidance and examples. Additionally, consider watching the [2023 Interchangeability Overview Webinar](#) to gain further context. With this background, grantees can use the checklist as a practical tool, which is designed to support the information provided in both the Policy Bulletin and the Webinar.

For more detailed guidance and training on cost categories and provisions for the allocation of Program Administrative Costs, Activity Delivery Costs, and Planning Costs, please review [CPD Notice 23-06](#) and the [Allocating Costs](#) webinar.

PROGRAM ADMINISTRATIVE COSTS (PAC) INTERCHANGEABILITY CHECKLIST

- Verify that funds were appropriated for a qualifying disaster ([published in a Federal Register notice](#)) and take note of the Allocation Announcement Notice and corresponding Public Laws for each allocation.

Allocation Announcement Notice: _____
 Disaster Year & Public Law: _____

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 Disaster Year & Public Law: _____

- Using the Public Laws for each allocation, ensure that funding may be used interchangeably (See Table 1).

Table 1. Use of Program Administrative Cost (PAC) Interchangeability

Disaster Years	Use of PAC Interchangeability	Public Law Reference	Interchangeability with funds awarded prior to 2015?	Interchangeability with funds awarded in 2015 or later?
Prior to 2015	N/A	Refer to individual public laws for each allocation	Only when paired with a grant allocated in 2020 or later.	Only when paired with a grant allocated in 2020 or later.
2015 - 2019	CDBG-DR or CDBG-MIT grants for 2015, 2016, 2017, 2018, 2019, and future CDBG-DR grant that may be received.	Pub. L. 114-113, 114-223, 114-254, 115-31, 115-56, 115-123, 115-254, 116-20	No	Yes
2020 – 2023*	For any CDBG-DR or CDBG-MIT grant, including prior to 2015 grants and any future CDBG-DR grant that may be received.	Pub. L. 117-43, 117-180, 117-328	Yes	Yes

*For any CDBG-DR funds appropriated after Pub. L. 117-328 (2022), grantees should verify that the act allows funds to be used interchangeably and should consult the applicable *Federal Register* notice.

- Ensure that expenses meet the definition of **Program Administrative Costs (PAC)**.
 - **Program Administrative Costs (PAC):** *Reasonable general costs (including carrying charges) of grant management that do not include staff and overhead costs directly related to carrying out other CDBG-DR eligible activities, since those costs are eligible as part of such activities (CPD Notice 23-06).*
- Establish mechanisms within financial operating procedures for each CDBG-DR award to ensure that expenditures do not exceed the CDBG-DR program caps (i.e., program administrative costs cannot exceed 5% of each grant award plus 5% of program income generated by the grant).
 - Establish policies and procedures to verify that CDBG-DR expenses are necessary, reasonable, allowable, and allocable in accordance with [2 CFR Part 200](#).
 - Establish policies to ensure that costs are categorized correctly (e.g., Is staff time a program administrative cost or an activity delivery cost?).
 - Establish policies and procedures for monitoring financial management systems to ensure compliance with administrative caps.
 - Establish process to conduct regular quality assurance/quality control review in operating procedures.
- Review and modify (as necessary) financial management policies and procedures regarding the tracking and accounting of administrative costs, including (but not limited to) establishing appropriate timekeeping processes to record costs across all grants.
- Update financial management systems to easily identify track, manage, and record administrative costs and reallocate or adjust costs as needed.
- Revise CDBG-DR Financial Management and Compliance submissions for HUD certification as necessary.
- Update CDBG-DR Implementation Plan, including roles and responsibilities, to indicate that proper processes and staffing are in place to maintain compliance.
- Train staff, subrecipients, and/or other partners that will administer funds in properly classifying, tracking, and accounting of administrative costs (see [CPD Notice 23-06](#)).
- Conduct regular quality assurance reviews to ensure compliance with PAC Interchangeability (e.g., limiting administrative costs to 5 percent of the grant, etc.).
- Ensure DRGR has been updated to reflect new policies, procedures, and processes.
- Begin using CDBG-DR (or CDBG-MIT) funds interchangeably and tracking program outcomes.