

(ii) Equipment not needed by the subrecipient for ICDBG activities shall be transferred to the grantee for the ICDBG program or shall be retained after compensating the grantee.

(9) Section 84.51, "Monitoring and Reporting Program Performance." Only §84.51(a) applies to ICDBG subrecipients.

(10) Section 84.52, "Financial Reporting".

(11) Section 84.53(b), "Retention and access requirements for records." The retention period referenced in §84.53(b) pertaining to individual ICDBG activities starts from the date of the submission of the final status and evaluation report as prescribed in §1003.506(a), in which the specific activity is reported.

(12) Section 84.61, "Termination." In lieu of the provisions of this section, ICDBG subrecipients shall comply with §1003.502 (b)(7) of the ICDBG regulations.

(13) Subpart D—"After-the-Award Requirements," except for §84.71, "Closeout Procedures".

(c) Cost principles. (1) All items of cost listed in Attachment B of OMB Circulars A-21, A-87, or A-123, as applicable, which require prior Federal agency approval are allowable without the prior approval of HUD to the extent that they comply with the general policies and principles stated in Attachment A of such circulars and are otherwise eligible under subpart C of this part, except for the following:

(i) Depreciation methods for fixed assets shall not be changed without specific approval of HUD or, if charged through a cost allocation plan, the Federal cognizant agency.

(ii) Fines and penalties are unallowable costs to the ICDBG program.

(2) No person providing consultant services in an employer-employee type of relationship shall receive more than a reasonable rate of compensation for personal services paid with ICDBG funds. In no event, however, shall such compensation exceed the equivalent of the daily rate paid for Level IV of the Executive Schedule.

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#### §1003.502 Agreements with subrecipients.

(a) Before disbursing any ICDBG funds to a subrecipient, the grantee shall sign a written agreement with the subrecipient. The agreement shall remain in effect during any period that the subrecipient has control over ICDBG funds, including program income.

(b) At a minimum, the written agreement with the subrecipient shall include provisions concerning the following items:

(1) *Statement of work.* The agreement shall include a description of the work to be performed, a schedule for completing the work, and a budget. These items shall be in sufficient detail to provide a sound basis for the grantee effectively to monitor performance under the agreement.

(2) *Records and reports.* The grantee shall specify in the agreement the particular records the subrecipient must maintain and the particular reports the subrecipient must submit in order to assist the grantee in meeting its recordkeeping and reporting requirements.

(3) *Program income.* The agreement shall include the program income requirements set forth in §85.25 as modified by §1003.503.

(4) *Uniform administrative requirements.* The agreement shall require the subrecipient to comply with applicable administrative requirements, as described in §1003.501.

(5) *Other program requirements.* The agreement shall require the subrecipient to carry out each activity in compliance with all Federal laws and regulations described in subpart G of this part, except that the subrecipient does not assume the grantee's environmental responsibilities described at §1003.605.

(6) *Conditions for religious organizations.* Where applicable, the conditions prescribed by HUD for the use of ICDBG funds by religious organizations shall be included in the agreement.

(7) *Suspension and termination.* The agreement shall specify that, in accordance with 24 CFR 85.43, suspension or termination may occur if the subrecipient materially fails to comply with any term of the award, and that

the award may be terminated for convenience in accordance with 24 CFR 85.44.

(8) *Reversion of assets.* The agreement shall specify that upon its expiration the subrecipient shall transfer to the grantee any ICDBG funds on hand at the time of expiration and any accounts receivable attributable to the use of ICDBG funds. It shall also include provisions designed to ensure that any real property under the subrecipient's control that was acquired or improved in whole or in part with ICDBG funds (including ICDBG funds provided to the subrecipient in the form of a loan) in excess of \$25,000 is either:

(i) Used to meet the primary objective as stated in §1003.208 until five years after expiration of the agreement, or for such longer period of time as determined to be appropriate by the grantee; or

(ii) Not used in accordance with paragraph (b)(8)(i) of this section, in which event the subrecipient shall pay to the grantee an amount equal to the current market value of the property less any portion of the value attributable to expenditures of non-ICDBG funds for the acquisition of, or improvement to, the property. The payment is program income to the grantee if it is received during the grant period. (No payment is required after the period of time specified in paragraph (b)(8)(i) of this section.)

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**§ 1003.503 Program income.**

(a) Program income requirements for ICDBG grantees are set forth in 24 CFR 85.25, as modified by this section.

(b) *Program income* means gross income received by the grantee or a subrecipient directly generated from the use of ICDBG funds during the grant period, except as provided in paragraph (b)(4) of this section. When program income is generated by an activity that is only partially assisted with ICDBG funds, the income shall be prorated to reflect the percentage of ICDBG funds used.

(1) Program income includes, but is not limited to, the following:

(i) Proceeds from the disposition by sale or long-term lease of real property purchased or improved with ICDBG funds;

(ii) Proceeds from the disposition of equipment purchased with ICDBG funds;

(iii) Gross income from the use or rental of real or personal property acquired by the grantee or by a subrecipient with ICDBG funds, less costs incidental to generation of the income;

(iv) Gross income from the use or rental of real property, owned by the grantee or by a subrecipient, that was constructed or improved with ICDBG funds, less costs incidental to generation of the income;

(v) Payments of principal and interest on loans made using ICDBG funds, except as provided in paragraph (b)(3) of this section;

(vi) Proceeds from the sale of loans made with ICDBG funds except as provided in paragraph (b)(4) of this section;

(vii) Proceeds from sale of obligations secured by loans made with ICDBG funds;

(viii) Interest earned on funds held in a revolving fund account;

(ix) Interest earned on program income pending its disposition; and

(x) Funds collected through special assessments made against properties owned and occupied by households not of low and moderate income, where the assessments are used to recover all or part of the ICDBG portion of a public improvement.

(2) Program income does not include income earned on grant advances from the U.S. Treasury. The following items of income earned on grant advances must be remitted to HUD for transmittal to the U.S. Treasury and will not be reallocated:

(i) Interest earned from the investment of the initial proceeds of a grant advance by the U.S. Treasury;

(ii) Income (e.g., interest) earned on loans or other forms of assistance provided with ICDBG funds that are used for activities determined by HUD either to be ineligible or that fail substantially to meet any other requirement of this part.

(3) The calculation of the amount of program income for the grantee's