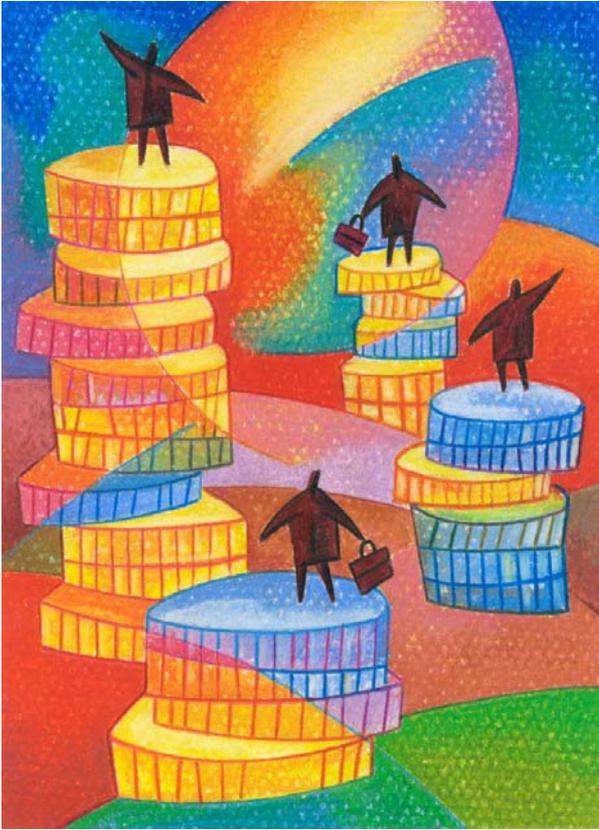


CDBG Crosscutting Issues: Financial Management and Procurement

Date
Trainer



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Purpose of the Workshop

To Ensure That Every Participant:

- Is familiar with the applicable OMB Circulars and HUD regulations
- Understands key financial management rules and their application.
- Understands the different types of procurements and the impacts of State and local procurement requirements

Office of Management and Budget (OMB) Circulars

- OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments
- OMB Circular A-133, Audits of State, Local Governments and Nonprofit Organizations
- OMB Circular A-122, Cost Principles for Nonprofit Organizations
- OMB Circular A-21, Cost Principles for Educational Institutions

OMB Circulars

- OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments
 - Applicability
 - Direct costs
 - Indirect costs
 - Selected items of cost

OMB Circulars (continued)

- OMB Circular A-133, Audits of State, Local Governments, and Nonprofit Organizations
 - Applicability
 - Frequency of Audits
 - Audit Costs
 - Procuring an Auditor
 - Understanding Audit Information
 - Audit Findings
 - Audit Clearinghouse

OMB Circulars (continued)

- OMB Circular A-122, Cost Principles for Nonprofit Organizations
 - Applicability
 - Major differences between A-122 and A-87
- OMB Circular A-21, Cost Principles for Educational Institutions
 - Applicability
 - Major differences between A-21 and A-87

Case Study #1

“Subgrantees: Which Rules are Followed?”

HUD Regulations

- 2 CFR Part 225: Cost Principles For State, Local, and Indian Tribal Governments (OMB Circular A–87)
- 2 CFR Part 230: Cost Principles for Non-Profit Organizations (OMB Circular A–122)
- 24 CFR Part 84, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations
- 24 CFR Part 85, Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments

HUD Regulations (continued)

- 24 CFR Part 570.489, Program Administrative Requirements
- 24 CFR Part 570.502, Applicability of Uniform Administrative Requirements

HUD Regulations (continued)

- 24 CFR Part 85, Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments

vis-a-vis

- 24 CFR 570.489, Program Administrative Requirements
 - Applicability
 - Types of Procurements
 - Debarment
 - Required Documentation

Financial Management Rules

CDBG Entitlement jurisdictions are required to follow the regulations found in 24 CFR Part 85.20 (Subpart C). The standards ensure that financial systems:

1. Provide adequate, current and complete disclosure of the financial results (regular financial reporting) of all financially assisted activities, in accordance with the programmatic requirements of the grant or sub-grant. The results will enable grantees to prepare the required financial reports such as the CAPER and the PER;
2. Document that funds have been used only for permitted purposes. For CDBG this would include not only eligible activities but that the funded projects meet a national objective;

Financial Management Rules (continued)

3. Maintain accounting records that show the sources and uses of funds, displaying funds authorized, obligated and unobligated balances, assets, liabilities, outlays or expenditures and income;
4. Establish effective internal controls over all cash, real and personal property and other assets acquired with program funds;
5. Track actual program cost against program budget in a manner that relates to program productivity and accomplishments;

Financial Management Rules (continued)

6. Use OMB Circular A87 Cost Principles for State, Local and Indian Tribal Governments to determine whether program costs are reasonable, allowable, and can be allocated, either directly or indirectly;
7. Maintain source documentation for accounting records;
8. Implement procedures for cash management that permit the timely disbursement to sub grantees and complete and accurate monitoring and reporting; and
9. Comply with OMB Circular A-133 rules on audits.

Financial Management Rules (continued)

- State CDBG programs are expected to meet similar financial management standards.
- State CDBG programs are required to have fiscal and administrative requirements sufficient to:
 - Show that uses of funds comply with all applicable statutory and regulatory requirements;
 - Document that all funds received have been spent only for reasonable and necessary costs of program operation; and
 - Demonstrate that program funds have not been used for general expenses of state or local government.

Financial Management Rules (continued)

- States and local governments may comply with these requirements in one of three ways:
 - The state may use its own fiscal and administrative requirements applicable to its own funds;
 - The state may adopt new fiscal and administrative requirements; or
 - Apply the principles of 24 CFR Part 85

Financial Management Rules (continued)

In addition...

- All CDBG Grantees must ensure that the information in the Integrated Disbursement and Information System (IDIS) is consistent with paper data submissions and financial records maintained by the grantee.
- Complete and accurate data in IDIS also facilitates completion of the Consolidated Annual Performance and Evaluation Report (CAPER).

Top Five Methods to Document Procurements

CDBG Entitlement jurisdictions must develop policies and procedures for procurement that comply with both 24 CFR Part 85 rules and any stricter state or local standards, and keep the following records:

1. For procurements defined as “small purchases” (i.e., those with a value less than both the Federal threshold of \$100,000 or any lower state or local thresholds that may apply), keep a record of:
 - Description of the materials, supplies, or equipment to be purchased;
 - The name and title of the person who obtained price quotes;
 - The date(s) price quotes were obtained;

Top Five Methods to Document Procurements

- The source of all price quotes;
- Written or faxed quotes, or if by telephone, a record of the telephone solicitation;
- The source selected for the procurement;
- Purchase requisition/Purchase Order;
- Price paid and source of funds; and
- Date materials, supplies or equipment received.

Top Five Methods to Document Procurements

2. For procurements that are over the applicable “small purchase” threshold and require sealed bidding, keep a record for each such procurement that includes:
 - Invitation to bid;
 - Affidavit of publication from the newspaper that the procurement was published in the legal notices section of the newspaper;
 - Copy of the complete bid package;
 - List of firms/individuals who picked up bid packages;
 - Notes of pre-bid conference, if the agency held one;
 - Questions received from bidders (if any) and how the agency responded;
 - Amendments to bidding documents (if any);

Top Five Methods to Document Procurements

- List of firms/individuals who filed bids;
- Record of the bid opening (including bids received, bid amount, responsive and non-responsive bidders);
- Non-collusive affidavits (if applicable);
- Staff notes on responsive bidders' reference checks;
- Copy of staff memo recommending selection and contract award;
- Official action awarding contract (resolution when applicable);
- Copy of contract awarded; and
- Information on compensation approach & documentation about how the compensation structure was selected.

Top Five Methods to Document Procurements

3. When state law prescribes Qualification Based Selection (QBS), or when the CDBG Entitlement jurisdiction is doing procurement through competitive proposals, keep a record of such procurements that includes:
 - Invitation to submit Statements of Qualification;
 - Submission package that includes qualification forms used, description of the work to be awarded, rating factors to be used for award, etc.;
 - List of the firms that pick up qualification packages;
 - List of the firms that submit qualification packages;

Top Five Methods to Document Procurements

- Record of the opening of the qualification packages, including the names of the firms, bid amounts (if applicable), responsive and non-responsive submissions;
- List of the names and titles of persons participating on the rating committee;
- Notes of the meetings of the rating committee in sufficient detail to document the order of firms selected;
- Notes of the negotiating sessions with the firms selected (in order of selection, if the first firm is not contracted);
- Copy of contract awarded; and
- Information on the nature of the compensation structure, including documentation of how the compensation structure was selected.

Top Five Methods to Document Procurements

4. When using noncompetitive proposals, Federal rules require additional documentation that:

- The item or service procured is available only from a single source; or
- Public exigency or an emergency will not permit a competitive procurement; or
- After soliciting a number of sources, a determination is made that competition is inadequate; AND
- The awarding agency (in this case, HUD) approves a noncompetitive procurement.

The agency also must perform a cost analysis to determine that the price to be paid is reasonable.

Top Five Methods to Document Procurements

5. State CDBG programs use the state's procurement laws and policies:
 - For State CDBG programs, the guiding principles for procurements are those of applicable state law, although the program rules at 24 CFR part 570.489(g) require that the state establish policies and procedures for fair and open competition that address all the methods of procurement cited above. Per 24 CFR 570, so called “cost plus” contracts are forbidden.
 - Generally, the documentation requirements described above for the CDBG Entitlement programs will be adequate for State CDBG programs and subgrantees.

Case Study #2

“Managing the Procurement Process”

Discussion Questions

1. Match the Office of Management and Budget Circular with the appropriate organizations:
 - a. A-87
 - b. A-21
 - c. A-133
 - d. A-122
 1. State, Local Governments and Nonprofit Organizations
 2. State, Local Governments and Indian Tribal Governments
 3. Nonprofit Organizations
 4. Educational Institutions
2. What HUD regulation governs procurement for CDBG Entitlement communities? What about for the State CDBG program?
3. Under what conditions can sole source procurement be used?

Discussion Questions (continued)

4. In a sealed bid procurement, can the contract be awarded to a firm that did not provide the lowest bid? Under what circumstances?
5. If the CDBG State subgrantee is a local jurisdiction, what is the guiding document on cost principles?
6. What website should you use to determine if a vendor is debarred from doing business with HUD?