



OPERATING PROCEDURES MANUAL

Program Year 2009 - 2010

**COMMUNITY DEVELOPMENT BLOCK GRANT
(CDBG)
&
EMERGENCY SHELTER GRANT
(ESG)**

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CHAPTER I. INTRODUCTION

The mission of the Mayor's Office of Housing (MOH) is to provide financing for the development, rehabilitation and purchase of affordable housing in San Francisco. MOH guides and coordinates the City's housing policy and administers a variety of programs to finance the development of affordable housing by non-profit and for profit developers, provide financial and educational assistance to first-time homebuyers, and finance housing rehabilitation costs for low-income homeowners. Within MOH, the mission of its Community Development Division is to partner with the community to strengthen the social, physical and economic infrastructure of San Francisco's low-income neighborhoods and communities in need.

MOH has been designated as the city agency to administer the U.S. Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG) program and Emergency Shelter Grant (ESG) program. The CDBG and ESG programs provide uniquely flexible resources for community development. Each year, CDBG and ESG funds help build and strengthen our community, particularly those neighborhoods with a high number of residents living in poverty. The intent of the CDBG program is to support efforts that improve the quality of life for low and moderate-income persons. The intent of the ESG program is to support efforts that provide services to persons who are homeless or programs that prevent homelessness. The Office of Economic and Workforce Development (OEWD) has been designated to administer the CDBG programs in the areas of economic development and workforce development.

This manual applies to all ESG grants and CDBG grants in the areas of Public Services, Workforce Development, Economic Development, Planning, Housing and Emergency Shelter. CDBG Capital and Public Space Improvement grantees should refer to the MOH Capital Implementation Manual. This manual provides guidance on program and budget management, contract negotiations, requirements for financial controls, procurement of contractual services, monitoring and general administrative procedures. This manual is intended as a general guide and does not replace or amend any of the provisions of the Grant Agreement.

Non-profit organizations receiving grant awards from MOH and OEWD are required to establish and maintain internal controls designed to ensure compliance with federal (including HUD), state and local laws, regulations and program requirements. This manual provides general information on procedures as well as the minimum requirements for establishing internal financial and program controls to effectively operate and manage program activities. Grantees should review the full Grant Agreement and consult with the assigned MOH or OEWD Grant Coordinator if they have any questions or concerns about anything related to their CDBG/ESG grant. If grantees have any questions of a legal nature, they should consult their attorney.

The U.S. Office of Management and Budget (OMB) requires agencies that receive federal funds to comply with:

- OMB Circular A-110 *Uniform Administrative Requirements for Grants and Cooperative Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*;
- OMB Circular A-122 *Cost Principles for Non-Profit Organizations*; and
- OMB Circular A-133 *Audits of Institutions of Higher Education and Other Non-Profit Organizations*.

In addition to these three OMB Circular regulations, all grantees are required to comply with a variety of regulations and policies detailed in the Grant Agreement between the City and County of San Francisco and the non-profit organization. Each grantee must be an approved vendor of the City and County. If the non-profit organization is a new grantee with the City, the organization must fill out the forms required by the Office of Contract Administration. The application form to be a City vendor and other required forms are available at http://www.sfgov.org/site/oca_page.asp?id=26550.

Chapter 12B of the San Francisco Administrative Code requires organizations doing business with the City and County to agree not to discriminate against any specified groups for specified reasons. Please review http://www.sfgov.org/site/sfhumanrights_page.asp?id=5921 for more information. If organizations cannot fulfill all the requirements of Chapter 12B, the City's ability to enter into a Grant Agreement is significantly limited. Chapter 12B is enforced by the City's Human Rights Commission. If a nonprofit organization has not yet been certified as being in compliance with 12B, they should contact the Human Rights Commission at (415) 252-2500 and follow their guidelines for certification. Application forms can be downloaded from <http://www.sfgov.org/site/uploadedfiles/sfhumanrights/forms/12b101.pdf>.

CHAPTER II. PROGRAM MANAGEMENT

CDBG and ESG grants from MOH and OEWD are for the specific purpose of funding programs and capital projects that will provide services to low and moderate-income residents of San Francisco. All MOH/OEWD funded employees of the grantees must be trained on the requirements detailed in this manual.

Upon recommendation for funding, grantees will negotiate with MOH or OEWD on the work plan and budget for the upcoming program year. This negotiation process will be done via the Green Light online system (www.sfgov.org/mocd). New grantees will learn how to access the Green Light system at the orientation and will be provided a User ID and password. Once MOH or OEWD approves the work plan and budget, grantees will enter into a Grant Agreement to deliver the agreed upon programs and services. The negotiated work plan and budget will then be reflected on the 7c2 online reporting system (www.sfgov.org/mocd). Grantees will report to MOH and OEWD on a monthly basis through 7c2, unless as otherwise described in this manual. Specific program areas may have additional reporting requirements as mandated by MOH or OEWD that may include the tracking of additional data separately from the 7c2 database.

A. Work Plan

1. Work Plan Definition

The work plan is an outline of the major components of a program to support successful delivery of services to individuals. It details projected activities and services of the program, the annual output for each activity and the number of unduplicated clients per neighborhood. Grantees elaborate on their program staffing and evaluation methods through the work plan narrative.

2. Activities and Services

The work plan is made up of two programmatic elements: activities and services. **Activities** are defined as the primary building blocks to achieve the desired overall goals of the funded program. **Services** are more specific elements within each activity. Each activity and each service should have a brief one or two line description written by the agency. All activities will be composed of one or more services to achieve their goals. For example, an activity may be “Job Readiness- Soft Skill Training” and the corresponding services might include “Classes and Workshops” and “Employment Counseling – Individual.”

3. Annual Output

Annual output is the number of unduplicated clients served or other units of service (e.g. number of workshops) completed by each activity. If an activity consists of more than one service, clients may be duplicated between services, but each activity should show the overall unduplicated number of clients served.

The Neighborhood section of the work plan should also have a single figure reflecting the total number of unduplicated clients served by the program as a whole. For Public Services, Workforce Development, and Emergency Shelter Grants, annual output should be the number of individuals served. For Economic Development contracts, output will not only be the number of individuals served but also the number of businesses assisted, the number of jobs created and other measures that will be negotiated between the organization and the MOH/OEWD representative. For the Housing program grants, such as homeownership or tenant counseling, the annual output should be the number of individuals served. Planning and Capacity Building grants do not have to enter a total number of unduplicated clients but will present a final report outlining the outcomes of the planning process or capacity building efforts.

4. Deviation from Work Plan and Program Progress

MOH/OEWD and the San Francisco Board of Supervisors approve grants for a specific program and purpose. In most cases, that program and purpose cannot be renegotiated and the grant must be implemented or the funding returned. On occasion, and as a result of following the negotiated work plan, it may become apparent that different/more effective/efficient activities can be engaged in to achieve the negotiated outcomes. Work plans can only be renegotiated with the consent of MOH/OEWD. Any deviation from the work plan can result in non-reimbursement for unapproved activities and/or cancellation of the Grant Agreement. Contact the assigned Grant Coordinator for any questions.

Program progress according to the work plan is reviewed by the Grant Coordinator on a regular basis depending on the review schedule established at the beginning of the grant. Insufficient progress or delays in the program may jeopardize the grant and/or reimbursements. (See also Chapter II B (2): Reimbursement of Expenses and Chapter V: Monitoring).

5. Nondiscrimination in Provision of Services

All MOH/OEWD funded agencies must ensure that all persons have equal opportunity and access to services, pursuant to federal requirements including Title VI, 24 C.F.R. 1.4(b)(2)(i). MOH/OEWD's Grant Agreement with each agency states in section 11.02, "Covenant Not to Discriminate," that "In the performance of this Agreement, the Corporation covenants and agrees not to discriminate on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, sex, sexual orientation, gender identity, domestic partner status, marital status, disability, weight, height or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status) against any employee or any City employee working with or applicant for employment with the Corporation, in any of the Corporation's operations within the United States, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations operated by the Corporation."

If a subrecipient is serving one race or ethnic group exclusively or almost exclusively, MOH/OEWD will require a justifiable rationale for such exclusivity. An example of a justifiable rationale might be a program targeting monolingual immigrants, wherein the language in which the program is offered is closely linked to the racial/ethnic makeup of the clientele. In those cases in which MOH/OEWD is unable to determine a justifiable rationale, funded agencies or

subrecipients will be required to create an approved outreach plan to publicize their services to underrepresented populations. Such an outreach plan might include the distribution of fliers to other organizations and communities that are specifically absent from the subrecipient's current client population; subrecipient outreach at community events that target underrepresented populations; electronic distribution of materials to other MOH or OEWD-funded subrecipients that target diverse constituencies; and/or listing of programs being offered by the subrecipient in community newspapers, newsletters or other community listings.

B. Program Budget

1. Definitions and Eligible/Ineligible Costs

The Program Budget is the projected expenditure schedule for the term of the Grant Agreement. The annual program budget will be approved by MOH/OEWD during the grant negotiation process. Grant Agreements cannot be effectuated or implemented without an approved budget. Requests for budget revisions should be submitted using the standardized Budget Revision form which can be found on the MOH website. This form is designed to provide line item detail for CDBG/ESG funded projects by cost categories.

Program and Organization Staffing

Program staffing is negotiated at the beginning of the program year and is designed to ensure adequate and appropriate staffing for provision of services and/or successful completion of program activities and achievement of program outcomes. Grantees must notify their Grant Coordinator as soon as possible and no later than 15 days regarding any staffing changes if these changes impact the provision of services. The grantee's Board President or Secretary must notify MOH/OEWD in writing within 15 days should there be a change in the status of the organization's Executive Director.

Subcontracts; Equipment Purchase; Travel and Space Rental

Program budgets that include paying a vendor for contractual services or equipment purchase should refer to **Chapter IV – Procurement and Contractual Services**.

Prior written MOH/OEWD approval is required for all general purpose equipment purchases of \$1,000 or more (e.g. office equipment and furnishing, information technology equipment and systems, reproduction and printing equipment.) Prior written approval is also required for contractual services (consultants, independents contractors, sub-contracts/3rd party contracts) of \$1,000 or more. Expenditures made prior to obtaining MOH/OEWD approval are ineligible for reimbursement. Prior approval can only be obtained by completing and submitting Form H: Request for Approval of Subcontract and Equipment Purchase.

Contractual services and equipment purchases under \$1000 do not require prior approval from MOH/OEWD and do not require submission of a Form H.

For out-of-city travel, grantees must submit a letter of request to their Grant Coordinator for approval. If the organization will be using CDBG or ESG funds to pay for space rental, they must submit a copy of the lease agreement to their assigned Grant Coordinator.

Insurance

Current insurance coverage is required prior to reimbursement for any expenditure. It is the responsibility of the grantee to supply MOH and OEWD with current certificates of insurance.

The minimum requirement for insurance coverage during the contract term includes:

- a. Workers' Compensation insurance of statutory limits, including Employers' Liability coverage with limits not less than \$1,000,000 each accident;
- b. Comprehensive General Liability insurance with limits not less than \$1,000,000 each occurrence combined single limit for Bodily Injury and Property Damage, including coverage for Contractual Liability, Independent Contractors, Broad form Property Damage, Products and Completed Operations. The City and County of San Francisco must be named as an additional insured in these policies, and this must be indicated on the certificate;
- c. Comprehensive Automobile Liability insurance with limits not less than \$1,000,000 each occurrence combined single limit for Bodily Injury and Property Damage, including coverage for owned, non-owned and hired vehicles. The City and County of San Francisco must be named as an additional insured in these policies, and this must be indicated on the certificate;
- d. Property insurance covering all real property constructed, improved or rehabilitated and all real and personal (non-expendable) property leased or purchased in whole or in part with CDBG or ESG funds, in a form appropriate for the nature of such property, covering all risks of loss, excluding earthquake and flood, for 100% of the reconstruction value (brought up to current codes), with deductible, if any, acceptable to the City, and naming the City as loss payee, as its interest may appear, except that if the Corporation leases real property such coverage with respect to the leased property may be provided by the owner or landlord;
- e. Professional Liability (errors and omissions) insurance with limits not less than \$750,000 each occurrence, covering architectural, engineering, design, technical or professional services, as appropriate, with respect to any subcontract for or any donation of professional services, for the term of the applicable construction contract.

Ineligible Costs

Ineligible costs include, but are not limited to the following:

- a. Advertising *not* associated with personnel recruitment, procurement of goods and services, and disposal of surplus property;
- b. Costs incurred by advisory councils or committees unless specifically authorized by HUD;
- c. Costs of alcoholic beverages;
- d. Bad debts and/or any losses arising from un-collectible accounts;
- e. Contributions and donations, including cash, property and services made by organization regardless of recipient;
- f. Donations to a contingency reserve or unforeseen events;

- g. Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities);
- h. Costs of organized fundraising;
- i. Fines and penalties resulting from violations or failure to comply with laws and regulations;
- j. Membership expenses in lobbying organizations;
- k. Interest and other financial costs;
- l. Personal items;
- m. Legal fees;
- n. Costs associated with out-of-county air/ground travel, equipment and subcontracts that were incurred prior to obtaining written approval from MOH/OEWD; and
- o. Stipends or subsistence-type grant payments.

For a complete description of eligible and ineligible costs, please see OMB Circular No. A-122.

Matching Grants and In-Kind Contributions

Matching contributions can take the form of cash, non-cash equivalent services, equipment, or other non-expendable property. Cost principles for valuation of in-kind and other contributions must:

- a. Be verifiable records;
- b. Not be included as a contribution for any other federally-assisted program;
- c. Ensure value of services be consistent with those paid for similar work;
- d. Ensure value of property be at fair market value;
- e. Document volunteer services (names, addresses, dates and hours of work);
- f. Include basis for determining the value of personal services, material, equipment, land and other fixed assets.

2. Reimbursement of Expenses

CDBG/ESG grants are awarded on a cost reimbursement system. Agencies must submit a monthly program and cost report through the 7c2 online system and MOH/OEWD will reimburse grantees for budgeted program expenses. Requests to submit reports on a bi-monthly or quarterly schedule must be agreed to by the grant coordinator. Program and client data must be reported as a condition of reimbursement.

Copies of the monthly payroll register and quarterly payroll tax report (DE6 and 941) must be submitted by e-mail, fax or mail (postmarked by the 15th of each month) to the Grant Coordinator at the time of submission of online reimbursement request. The payroll register must identify MOH/OEWD funded employees. All confidential information on the payroll register can be blocked out to ensure privacy. HUD has requested that agencies submit this information since the salary line item constitutes the majority of the CDBG allocation to the agencies.

The three-step process for reimbursement is as follows:

- 1) Grantee submits accurate and completed cost and program reports authorized by the Executive Director to MOH/OEWD within 15 days of the close of the reporting month,
- 2) MOH/OEWD reviews these documents for eligibility, appropriateness and compliance;
- 3) City issues check. Checks will only be mailed to the official address of the organization.

MOH/OEWD strongly encourages electronic payments to be set up between the agency and the City as this provides a much more efficient way of receiving payment. Instructions for setting up this service can be found at http://www.sfgov.org/site/controller_index.asp?id=65752.

Hard copies of supporting documents (including client records, invoices, delivery slips and photocopies of checks used for payments) must be kept at the agency.

When necessary, MOH/OEWD will request additional information to confirm compliance with HUD regulations. Any *questioned costs* must be resolved within 90 days or it will be nullified and the questioned amount deducted from future payments. For a [list of eligible and ineligible expenses](#) pursuant to federal regulations, please see OMB Circular No. A-122.

3. Cash Advance

Requests for a cash advance must be submitted in writing and will be evaluated on a case-by-case basis. MOH and OEWD do not encourage agencies to request cash advances. In certain limited circumstances, such as when agencies are starting programs and must begin to recruit staff members, purchase equipment or acquire materials, MOH/OEWD will consider cash advance requests.

After the Grant Agreement has been signed, MOH/OEWD may issue a cash advance up to one-sixth of the grant amount (the equivalent of two contract months of a twelve-month grant period). This cash advance will be paid back by deducting the cash advance amount from invoices of the subsequent months. These deductions will automatically be subtracted from the submitted monthly invoices. Grantees are responsible for monitoring the appropriate cash flow taking into account these deductions. Reimbursement for future/other contracts may be delayed or denied if the organization fails to repay or resolve a cash advance.

4. Budget Revision

After initial approval, any budget revision requires a written explanation for the revision and requires MOH/OEWD approval. There is a limit of two budget revisions during the grant agreement period. Budget revisions must be submitted before the end of the tenth month of a twelve-month grant period (e.g. April 30th of a contract that ends on June 30th). MOH/OEWD will review late requests on a case-by-case basis. Any unallocated funds remaining at the end of the contract will be maintained by MOH/OEWD, except under exceptional circumstances.

5. Contract Closeout

Grantees have a maximum of 30 calendar days from the termination date of the Grant Agreement to submit final cost and program reports for reimbursement. Only those costs incurred during the

term of the Grant Agreement and allocated in the original program budget or authorized budget revision are eligible for reimbursement. After the 30 days following the grant period, the grant will be reduced by the amount of the unexpended funds. The City and County of San Francisco does not need a grantee's approval to modify the contract to close out unexpended balances.

6. Audits

If a grantee expended \$500,000 or more in federal funds from all sources (including grants, loans, program income, etc.) in its previous fiscal year, the organization must submit a copy of an independent audit completed within nine months following the end of the organization's fiscal year. This audit should meet the OMB Circular A-133 federal requirements. If the grantee expended less than \$500,000 in federal funds, the organization should provide a letter stating that they spent less than \$500,000 in federal funds during the fiscal year. Agencies that expended less than \$500,000 in federal funds will be requested to submit their most recent audit (not subject to the more stringent A-133 standards). Agencies that have an overall agency budget of less than \$250,000 may be exempted from the audit requirement. MOH/OEWD reserves the right to conduct a fiscal site visit or require alternate documents demonstrating sound financial controls in the absence of an audit.

CHAPTER III. INTERNAL CONTROLS FOR ACCOUNTING AND RECORD KEEPING

A. Client/Program & Financial Records

MOH and OEWD are responsible for assessing the grantees internal control systems and will take appropriate action if compliance issues emerge. MOH/OEWD accomplishes this assessment through periodic fiscal monitoring and evaluations.

All program records must be kept for five years from the close out date of the contract; the most recent two years of records must be kept on site.

B. Client/Program Records Overview

The grantee is required to maintain verifiable records on clients and client services. Hard copies must be available to support reliable internal controls over client records:

1. Documentation of CDBG client eligibility determination (i.e. Family Income Verification Form);
2. Evidence of client/staff signatures and accuracy on eligibility documents;
3. Evidence of parent/guardian signatures if client is a minor; or, if confidentiality concerns apply, best efforts by agency staff to verify eligibility;
4. Evidence that clients from previous program years have family income recertified;
5. Evidence that family income reflects annual estimated income;
6. Evidence that best efforts were utilized by staff to obtain income documentation verification;
7. Evidence that staff understands that unemployed individuals should report their estimated annual income, or use their previous annual income as a guide;
8. Evidence that family income verification form is internally consistent, e.g. family size is consistent in separate sections of document;
9. Access to eligibility/sensitive records limited to appropriate persons;
10. Evidence of participation by eligible clients (i.e., attendance sheet, sign-in log);
11. Evidence of progress or success of participants meeting program activities or outcomes (e.g. tracking forms and client progress reports.)

C. Financial Records Overview

MOH/OEWD funded organizations shall maintain internal controls on financial records, cash disbursements, cash receipts, payroll, and inventory of assets. At a minimum, organizations are required to maintain a General Ledger, a system for maintaining information on unpaid bills (Accounts Payable), a Cash Disbursement Journal and authorized signatures or level of access. When requested, organizations are required to provide current information on all accounting transactions in a standardized acceptable format. Transactions must be properly recorded and accounted for.

1. Accounting records must be accurate, current, and provide for complete disclosure of each project or program;
2. Monthly financial reports must be prepared on a timely basis;
3. Financial reports must be made available to the Executive Director and to the Board of Directors on a regular basis;
4. Funds, property and other assets are safeguarded against loss from unauthorized use or disposition;
5. Agencies demonstrate compliance with all appropriate federal, state and local regulations and compliance supplements; and
6. Appropriate federal, state and local information returns including taxes and audits must be submitted on time.

D. Cash Disbursements

A Cash Disbursement Journal must provide the following detail: date of check, check number, payee, amount of check, columnar description of the expense account to be charged. Organization internal controls on Cash Reimbursements must include the following standards:

1. Disbursements are made by pre-numbered checks;
2. Voided checks are retained;
3. Checks made payable to "Cash" are prohibited;
4. Pre-signed checks are prohibited;
5. Check signing authority must be vested in persons at appropriately high levels in the organization; signatures on checking accounts must include the agency Director or Fiscal Manager AND one officer of the Board of Directors on payments over an amount agreed to be significant, the Board of Directors may designate an alternate signatory through written notification.
6. Bank statements and canceled checks are received and reconciled by someone independent of the authorization and check-signing function; and
7. Paid invoices are marked "*Paid*" with the date, number and amount of check.

E. Accounts Payable

Organization internal controls on Accounts Payable must include the following standards:

1. Payments are recorded in an accounts payable register to avoid duplicate payments.
2. Unpaid invoices are maintained in an unpaid invoice file.

F. Petty Cash

Organization internal controls on Petty Cash transactions must include the following standards:

1. The amount that can be reimbursed from a petty cash fund is limited to a certain amount.
2. Transaction records are maintained providing a description of the expense, name of employee reimbursed, and supporting documentation (receipts, invoices, etc.).

G. Cash Receipts

A Cash Receipts Journal must provide the following detail: date of deposit, name of payer, amount of deposit, and a columnar description of the account credited. Internal controls must include:

1. Checks are endorsed "For Deposit Only."
2. Pre-numbered deposit slips are used to record moneys received.

H. Payroll

Organization internal controls on payments to employees for salary and wage expenses must include the following standards:

1. Employee records must be maintained for each employee that detail wage rates, benefits, taxes withheld and changes, and eligibility to work (SS# copy or INS work permit);
2. Detailed time reports documenting employee hours and signed by the employee and supervisor are required (total time & hours worked each day);
3. Payroll related taxes must be withheld and paid to federal and state agencies on a timely basis;
4. Written policies and procedures for accounting for vacations, holidays, sick leave and other benefits;
5. A list of payroll checks and withheld taxes must be maintained either through the Cash Disbursement Journal or a separate Payroll Register; and
6. A policy prohibiting salary advances from CDBG/ESG funds.

CDBG funds may not be used to compensate employees for claimed activity or benefit after the termination date of the Grant Agreement.

All employees funded by City contracts must meet the Minimum Compensation Ordinance requirements of San Francisco. Please refer to the Office of Labor Standards Enforcement for more information (www.sfgov.org/site/olse_index.asp).

I. Inventory of Fixed Assets

Organization internal record keeping on fixed assets must include the following standards:

1. Land, buildings, furniture, and equipment are recorded in a Fixed Asset Ledger (inventory record) even if the items were not purchased with MOH or OEWD funds.
2. Inventory records list inventory item, equipment serial number, location, date of acquisition and cost.

CHAPTER IV. - PROCUREMENT AND CONTRACTUAL SERVICES

A. Overview

Organizations that pay a vendor for equipment, supplies purchase or a non-employee for services involved in completing terms of the Grant Agreement are entering into a procurement or subcontract agreement. Significant portions of these agreements involve regulatory compliance. Subcontracts and purchases of \$1,000 or more require prior written approval from MOH or OEWD. Before making equipment or supplies purchase or before entering into a subcontract agreement of \$1,000 or more, grantees must read this chapter carefully and look over Form H: Request for Approval of Subcontract and Equipment Purchase. No equipment or supplies purchase or subcontract expenditures of a \$1,000 or more will be reimbursed by MOH/OEWD unless there is an approved Form H with the required documentation. In addition to these specific requirements, grantees shall maintain internal controls on the procurement of goods and services. At a minimum, the organization's internal procedures must include the following:

1. A written selection procedure for procurement transactions and these procedures ensure that the organization:
 - a. avoids purchasing unnecessary or duplicative items;
 - b. uses whenever possible Federal excess and surplus property, intergovernmental agreements for procurement, or common goods and services, to foster greater economy and efficiency;
 - c. has all purchase orders and contracts signed by authorized officers;
 - d. verifies that items delivered and paid for are consistent with the purchase order or contract;
 - e. pays vendors only when the order is delivered, inspected, accepted, and payment authorized;
 - f. documents a cost or price analysis for every procurement action; and
 - g. negotiates profit or fee separately from price.
2. Standards of conduct that prohibit doing business with firms where any of the organization's officers, employees, agents or their family members may have a direct or indirect financial interest or they are negotiating employment;
3. Policies that prohibit officers, employees, agents and their family members from accepting gratuities or anything of value from current or potential vendors or contractors;
4. Policies that promote open and free competition during the solicitation for goods and services;
5. Positive good faith efforts to contract with local disadvantaged small and minority and/or women owned businesses, including:
 - a. Use Form H to provide contract information to the City Purchasing Department's Bid and Contract Opportunities List (call 554-6216 for more information); and
 - b. Contact Eugene Flannery at MOCD and the City's Human Rights Commission for listings of businesses for outreach purposes.
6. Criteria for solicitations are based on an accurate description of technical requirements which do not include features which unduly restrict competition;

7. Responsible contractors that are properly licensed and insured and who will comply with applicable laws and regulations;
8. Assurance that the contractor fulfills the terms of the contract before payments are made;
9. Records for purchases of \$29,000 or more must include: 1) basis of contractor selection and justification for lack of competition when competitive bids are not obtained; 2) copies of newspaper advertisement and description of outreach efforts made to publicize bidding opportunity; 3) copies of three lowest bids; and 4) if applicable, explanation of rejection or withdrawal of lowest bid;
10. Records for purchases between \$10,000 and \$29,000 must include: 1) basis of contractor selection; 2) justification for lack of competition, where appropriate; 3) basis for award;
11. Avoidance of awarding any contract or subcontract with a suspended or debarred party;
12. Require certificates from entities receiving sub-awards (contracts and subcontracts) over \$100,000 certifying that the company and its principals are not suspended or debarred;
13. Use of pre-qualified lists of vendors or contractors that are current, developed through open solicitation, include adequate numbers of qualified sources, and allow entry of other firms to qualify at any time during the solicitation period;
14. Exclusion of contractors that develop or draft specifications, requirements, statement of work, invitations for bids and/or requests for proposals from the competition in order to eliminate unfair competitive advantage;
15. Use of "time and material" type contracts instead of "cost plus a percentage of cost" pricing;
16. Protest procedures for subcontractors and vendors to handle and resolve disputes relating to their procurement, and report all such instances to MOCD;
17. A documented system of contract administration for determining the adequacy of contractor performance;
18. Verification that the contractor and/or subcontractor complies with, and agrees to, all applicable HUD and City requirements as forth in the Grant Agreement.

B. Required Subcontracting Provisions

In addition to the above, each contractor and subcontractor must agree to, and comply with, a number of federal and local laws and requirements. The applicable requirements are set forth in the Required Subcontracting Provision which is included as Appendix B to the Grant Agreement. Failure of any of the grantee's contractors or subcontractors to comply with such requirements may result in penalties and/or the suspension or termination of the Grant Agreement. Grantees must attach the Required Subcontracting Provisions to all contracts with subcontractors.

C. Federal Prevailing Wages in Construction Contracts (Davis-Bacon)

Please see the MOH Capital Implementation Manual if the organization has a construction contract agreement with MOH.

CHAPTER V. MONITORING

HUD requires MOH/OEWD to monitor their grantees performance to ensure adequacy and compliance with all applicable regulations. MOH and OEWD accomplish this through programmatic evaluations through periodic reports and may include site visits. The grantee's performance is a key factor in determining the continuation and/or renewal of the Grant Agreement. Economic Development grantees of OEWD should refer to Supplemental Operating and Monitoring Procedures for Economic Development Activities, provided separately.

A. Reports

MOH and OEWD require several reports to assess performance.

1. Regular Program Reports

All grantees must submit monthly program and cost reports to MOH/OEWD. In limited circumstances, grantees may negotiate a different reporting schedule with their assigned Grant Coordinator (quarterly reporting at a minimum). Data must be tracked on a monthly basis, even if submission occurs quarterly. MOH/OEWD will only reimburse expenses upon receipt of financial and program reports. Incomplete or late reports will cause delays in reimbursement. Failure to comply with reporting requirements is a violation of the Grant Agreement. Program progress reports must be submitted via the online 7c2 system, including all client and output data. Program progress reports should be entered into the system no later than the 15th day of the month following the month or period being reported.

2. Mid-year Survey

Midway through the program year, grantees will be asked to complete a mid-year survey. This will help MOH/OEWD staff determine program progress as well as the need for any technical assistance that MOH/OEWD may be able to provide to the organization.

B. Review/Site Visits

During each program year, MOH/OEWD staff will conduct either a desk audit or visit grantees to monitor the program and ensure compliance with local and federal requirements. If a grantee receives funding from multiple City departments, the agency may be a part of the City's Joint Fiscal and Compliance Monitoring process. This means that all City funders would monitor the grantee's fiscal management and compliance systems at the same time either through a site visit or a self-assessment. Grantees will be informed by their MOH or OEWD Grant Coordinator what type of review they will receive.

Grantees with compliance violations, poor fiscal documentation and/or poor program performance will receive a follow up letter outlining recommended corrective actions and a timeline for implementing changes. Grantees may be put on probation if corrective action is deemed feasible to eradicate the violation(s). In instances of serious violation, or where

corrective action was not met, grantees may be suspended; no financial reimbursements will be processed during the suspension period. Grant agreements may be terminated when corrective actions are not addressed within the prescribed period (For further detail, review Article Ten of the Grant Agreement).

C. Joint Accountability Standards

During the program year, the MOH/OEWD Grant Coordinator will work with their assigned organizations to ensure that they are meeting program goals and objectives and MOH/OEWD expectations. The Grant Coordinator will review performance and check that grantees are meeting monthly or quarterly deadlines.

The Grant Coordinator will review the following items:

- Timeliness and accuracy of reporting – on-line submission of monthly reports by the 15th of every month and mailing in (postmarked by the 15th of each month) of required supporting documents. Required supporting documents include:
 - a. Payroll register (for any staffing costs)
 - b. Payroll tax returns (quarterly; if CDBG pays for staff)
- Year-to-date payment requests – generally should be no more than a month variant from the pro-rated year-to-date amount; exceptions include high start-up costs such as purchase of equipment.
- Program performance – year-to-date completion percentage for activities should generally reflect a 10% increase from the previous month;
- Any significant changes within the organization such a high staff turnover.

If the Grant Coordinator has any concerns regarding the grantee, they will follow the following procedures.

Step 1: During monthly review, if any concerns arise, the MOH/OEWD Grant Coordinator will call the organization to discuss the issue. The phone conversation will be documented in the grantee’s file. The Grant Coordinator will also follow-up with an email message that summarizes the issues that need to be addressed and give a timeframe for action.

Step 2: If the Grant Coordinator sees that the issues raised have not been addressed within the expected timeframe, a letter from an MOH/OEWD Program Manager will be sent to the organization outlining the concerns and required corrective actions. The grantee will be given a second timeframe to correct the problem(s) with benchmarks. MOH/OEWD may provide technical assistance, conduct a site visit or require more thorough or more frequent reporting.

Step 3: If the Grant Coordinator and Program Manager continue to see a lack of adequate improvement from the grantee, a letter from the MOH/OEWD Director or his or her designee will be sent notifying the organization of the corrective actions to be taken and MOCH/OEWD’s right to terminate or suspend the contract, or reduce the grant size if problem(s) are not adequately addressed. A discussion and/or meeting between the MOCH/OEWD Grant Coordinator and Program Manager and key organization staff will take place as needed.

Step 4: Should the organization fail to take adequate corrective actions, the MOCH/OEWD Director will send a letter of intent to terminate, suspend or reduce the grant. The organization will have five (5) working days to respond to the letter of intent.

MOH/OEWD strongly encourages grantees and Grant Coordinators to have constant communication so issues are addressed in a timely manner. Grantees should inform their Grant Coordinators of any technical assistance needs to successfully execute their work plan.

CHAPTER VI. GENERAL ADMINISTRATIVE PROCEDURES

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A. Equal Employment Opportunity

Grantees must:

- Not discriminate against any employee or applicant for employment on the basis of race, color, creed, national origin, ancestry, age, sex, sexual orientation, gender identity, height, weight or disability in hiring, promotions, demotions, transfers, recruitment, advertising, layoff, termination, rate of pay or other forms of compensation, and selection for training, including apprenticeship.
- Post a non-discrimination policy in a conspicuous place accessible to all employees and applicants for employment.
- Establish equal employment opportunity policies and procedures that are fair and equitable to all classifications of employees.
- Not arbitrarily administer these policies to deny an employee benefits or consideration normally available to other employees.
- Consider all applications for employment and promotion on the basis of qualification, ability, and experience.

B. Employment Policies and Procedures

Grantees must:

- Maintain employment policies and procedures that address recruitment, hiring, promotion, demotion, suspension, termination, and grievances and include written job descriptions with qualifications, salary schedule, and benefits, and the line of authority of staff persons.
- Maintain adequate employment records for every staff person including IRS withholding info and USCIS authorized work permits.

C. Board of Directors

Membership on the organization's Board of Directors should include members who adequately represent different neighborhoods and interest groups of the organization's targeted neighborhood or population, particularly low- and moderate-income persons for whom services are being provided. The Board of Directors must consist of at least seven (7) active members unless otherwise required in the organization's By-Laws. Board meetings must occur no less than quarterly and the majority of regular meetings must be held in San Francisco during the grant term. Two board meetings per year must be announced and opened to the public to attend if the organization receives \$250,000 or more from the City and County San Francisco agencies. The organization's Executive Director should not be a voting member of the Board of Directors.

Grantees should make necessary amendments to its Articles of Incorporation and/or By-Laws to comply with these conditions. These amendments must occur prior to disbursement of contract funds. Organizations must notify MOH/OEWD in writing upon any change of Board Officers, Executive Director, MOCH/OEWD funded staff, fiscal auditors or program site

closure/relocation within 15 days of the occurrence. Grantees must also notify MOCH/OEWD should the number of active members of the Board falls below seven or if the Board fails to meet in any quarter.

D. Sunshine Ordinance

The Sunshine Ordinance is applicable to any non-profit organization that receives a total of \$250,000 or more in funds through grants or contracts from City agencies in a given City fiscal year. The intent of the Sunshine Ordinance is to ensure that organizations are accessible to the general public and that the organizations represent the community they serve.

Non-profit organizations that receive \$250,000 or more per year in City funding must 1) open at least two Board of Directors meetings per year to the general public, 2) make certain financial documents are publicly available and 3) make good faith efforts to encourage members of the community served by the non-profit organization to join the Board of Directors.

Compliance includes the following requirements:

1. Board meetings

Non-profit organizations must publicly notice the two regularly scheduled Board of Director meetings per year. One of these meetings should be the annual meeting where the Board normally takes nominations to elect Board members. The organization must send the announcement of the open Board meeting at least 30 days in advance of the meeting, to the Clerk of the Board of Supervisors and to the S.F. Public Library main branch.

2. Financial Documents

Create a binder with the following financial documents: 1) organization's most recent budget, as provided to MOH/OEWD in the Grant Agreement, 2) the most recent federal and state tax returns, except to the extent that those returns are privileged, and 3) any financial audit or performance evaluation of the organization within the last two years by or for the City, so long as the City has not designated them confidential.

E. First Source Hiring

The First Source Hiring Program requirements apply to any City construction contracts in excess of \$350,000, or in excess of \$50,000 for goods or services. The First Source Hiring Program was designed to foster construction and permanent employment opportunities for qualified economically disadvantaged individuals. It imposes certain requirements on entry-level positions for work performed by a contractor in the City, entry-level positions for work performed on the contract in counties contiguous to the City, and entry-level positions for work performed on the contract on property owned by the City. Grantees who meet the dollar threshold for the First Source Hiring Program will be required to sign a First Source Hiring Agreement as part of their overall grant conditions.

F. Section 3 Compliance

Section 3 of the Housing and Urban Development Act of 1968, as amended (12 U.S.C. 1701u) (Section 3) requires the City and County of San Francisco to ensure that employment and other

economic and business opportunities generated by the Department of Housing and Urban Development (HUD) financial assistance, to the greatest extent feasible, are directed to public housing residents and other low-income persons, particularly recipients of government housing assistance, and business concerns that provide economic opportunities to low- and very-low income persons. For capital projects and housing development projects, the following requirements will apply.

The successful bidder for contracts over \$200,000 and their respective subcontractors (collectively, the "Contractors") will be required to comply with all Federal regulations relating to providing employment opportunities for resident businesses and individuals as set forth in Section 3 (as implemented by 24 CFR 135). A summary of Section 3 requirements is attached as Exhibit A in the Capital Implementation Manual ("Federal Requirements for the Training and Employment of Low-Income Residents and for the Utilization of Resident Businesses").

Specific Requirements:

The Contractors (including professional services consultants) must assure that lower income project area residents have the maximum opportunity for employment and training on this project; and that small businesses located in the project area, or owned in substantial part by or which employ lower income persons/residents in the project area, will be utilized to the fullest extent possible as recipients of contracts. Section 3 requires that certain minimum numerical goals for hiring "Section 3 residents" and "Section 3 business concerns" as explained in Exhibit A. The Contractors will be required to certify their understanding of and intention to comply with these requirements as indicated on the "Section 3 Assurance" attached as Exhibit B (with Attachment 1) and the "Section 3 Affirmative Action Plan" attached as Exhibit C. The Mayor's Office of Housing will provide technical assistance and monitoring of each Contractor's compliance with Section 3 requirements.

Contract Terms

All grant and loan agreements entered into by the HUD grantee or HUD funds recipient, and all qualifying contracts and subcontracts entered into by the Contractors shall incorporate verbatim the required "Section 3 Clause" (24 CFR 135.38) attached as Exhibit D.

HUD Fund Recipient and Contractor Reporting Requirements

Following award of the contract, the Contractor must submit to MOH the following documents:

- A. "Section 3 Hire Report," attached as Exhibit E, to be submitted with payroll form WH347.
- B. "Section 3 Employee Eligibility Certification," attached as Exhibit F, to be completed by each Section 3 resident and submitted upon receipt by the Contractor with Exhibit E; and
- C. "Section 3 Hire Summary Report," attached as Exhibit G, indicating the number of projected Section 3 worker would be hired and what was actually accomplished, to be submitted prior to final contract payment.

Non-compliance with these regulations may result in sanctions, termination of the contract for default, and debarment, suspension or denial of participation from future HUD-assisted contracts.

G. Americans with Disabilities Act (ADA)

The physical site must be accessible to persons with disabilities, the services provided by the contractor must be available to persons with disabilities, the organization must have reasonable accommodations policies and procedures in place, and that the staff must be trained and knowledgeable regarding these policies and procedures. The organization should have an agency-wide ADA grievance procedure. Each contractor must have a site-specific ADA survey on file. Newly funded organizations will be required to fill out such a survey before certification of their grant agreement. Organizations with previous contracts will be required to fill out a new survey should their contracts provide services at a new location.

Individuals With Disabilities. An individual with a disability is a person who has a permanent or temporary physical or mental impairment that substantially limits one or more "major life activities," has a record of such impairments, or is regarded by others as having such impairment. Examples of physical or mental impairments include, but are not limited to orthopedic, visual, speech and hearing impairments; cerebral palsy, epilepsy, muscular dystrophy, multiple sclerosis, cancer, heart disease, diabetes, mental retardation, emotional illness, specific learning disabilities, HIV disease, tuberculosis, drug addiction, and alcoholism.

Major Life Activities: include functions such as caring for oneself, performing manual tasks, seeing, hearing, speaking, breathing, learning, and working. Individuals who are currently engaged in the illegal use of drugs are not protected by the ADA when an action is taken on the basis of current illegal drug use.

H. Environmental Review

NATIONAL ENVIRONMENTAL POLICY ACT

Federally funded projects administered by MOH/OEWD must be reviewed for their potential impact to the environment. This review is conducted pursuant to HUD regulations (24 CFR Part 58); which implement the environmental review requirements of the National Environmental Policy Act (NEPA). Certain properties, because of their historic significance, may require further review under Section 106 of the National Historic Preservation Act. While all projects must be reviewed for their impact on the environment, the level of review will vary among projects depending on the nature and extent of the project and site qualities.

MOH will determine the level of environmental review individual projects must pass. Documentation requirements will depend upon the level of review MOH has determined is necessary for the project. The MOH/OEWD Grant Coordinator will inform grantees of what documentation the organization needs to submit for the review. Architectural drawings may be required for projects needing a review under the National Historic Preservation Act. Remember - **Grantees may not commit MOH/OEWD CDBG or ESG funds until the review process is completed.** Grant Coordinators for Capital, Public Space Improvement and Economic Development programs will inform grantees when the environmental review process is complete. Public Service awards are given environmental clearance prior to execution of the Grant Agreement.

I. Statement of Economic Interest

All City-funded non-profit organizations must fill out an Annual Economic Statement and mail it to the Department of Administrative Services. To download the form please go to:

http://www.sfgov.org/site/gsa_page.asp?id=45467

J. Care to Children

If the organization provides care to minor children, they must verify every employee's suitability to have contact with children. The verification process must adhere to the regulations of the California State Department of Social Services, Community Care Licensing Manual, Section 80019, Criminal Record Clearance.

Appendix 1: Resources

Information referenced in this manual can be found on the following web sites:

www.sfgov.org/mocd

www.sfgov.org/sfhumanrights

S.F. Administrative Code Chapter 12b

Minority/Women/Local Enterprise Business Directory

www.whitehouse.gov/omb

OMB Circular A-110 *Uniform Administrative Requirements for Grants and Cooperative Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*

OMB Circular A-122 *Cost Principles for Non-Profit Organizations*

OMB Circular A-133 *Audits of Institutions of Higher Education and Other Non-Profit Organizations*

OMB Circular A-133 Compliance Supplement Part 6 - Internal Control

www.hud.gov/offices/olr/olrnew.cfm

Labor Standards & Davis-Bacon/Prevailing Wage