



SUBJECT: Procurement of Grant Administration Services

ISSUED: July 1, 2015

DISTRIBUTED TO: Office of Community Development Award Recipients and their Affiliates

PROGRAM POLICY

This policy replaces Program Policy Notice 13-04 and clarifies guidance regarding the procurement of grant administration services for Office of Community Development (OCD) programs. The guidance reflects the U.S. Department of Housing and Urban Development's (HUD) recent adoption of 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("uniform guidance"). Procurement of grant administration services, like that of other services, must be conducted in a manner providing full and open competition consistent with 2 CFR 200 standards and applicable state and local law.

Background

The uniform guidance outlined at 2 CFR 200 consolidates requirements from eight Office of Management and Budget Circulars (A-21, A-87, A-89, A-102, A-110, A-122, A-133, and A-50), and provides streamlined guidance regarding administrative requirements, cost principles, and audit requirements for federal award-making agencies. Federal agencies, including HUD, adopted 2 CFR 200 as the requirements for federal financial assistance programs by an interim final rule published December 19, 2014 (79 Federal Register 75871). The uniform guidance became effective for all federal awards made on or after December 26, 2014, and becomes effective for all OCD awards, both federally and state-funded, made on or after July 1, 2015. The procurement standards outlined in 2 CFR 200 replace, and are generally consistent with, HUD's previous regulations at 24 CFR 85.36.

I. Responsibility for Grant Administration

Per *Program Policy Notice: OCD 15-01*, grantees may not act as pass-through entities, and may not grant subawards to subrecipients to carry out part of an activity included in a grant agreement with OCD. Grantees maintain a contractor relationship with non-employee grant administrators, and retain full responsibility for adherence to applicable state or federal statutes, regulations, or program requirements. Designated agencies that administer statewide programs on behalf of the Ohio Development Services Agency shall be exempt from this policy on a grant-by-grant basis, at OCD's sole discretion.

II. Methods of Procurement

For procuring grant administration services, OCD grantees must use their own documented procurement procedures which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable federal law and the standards identified in 2 CFR 200. General methods of procurement are outlined below.

A. Requests for proposals [2 CFR 200.320(d)]

The competitive proposals method of procurement is the preferred method to use when procuring grant administration services. Under this method, the grantee prepares a request for proposals (RFP) that contains a statement of work that details the grantee's procurement requirements. The request for proposals must clearly and accurately state selection criteria against which all responding proposals will be evaluated.

After publication of the RFP and solicitation of proposals from an adequate number of professional service providers, a qualified panel will review the proposals received against factors for award identified in the RFP. In its evaluation, the panel should use a competitive range procedure to establish a ranking order of successful proposals which may lead to a determination of whether negotiations should be held with service providers that fall within the competitive range, or if the contract should be awarded to the top offeror in the range. If negotiations are held, "best and final offers" are requested and re-scored with the best offer selected as the winner of the competition, subject to negotiation of a fair and reasonable price.

After proposals are reviewed by the panel against the evaluation criteria (a combination of cost and price factors) in the RFP, written results of the reviews must be maintained as part of the documentation of the procurement process. If requested, the grantee should debrief or notify unsuccessful offerors of the winner and the conclusion of the procurement process.

B. Micro-purchases [2 CFR 200.320(a)]

Grant administration services may be procured using micro-purchase procedures when the procurement will not cost more than \$3,000. Micro-purchases may be awarded without soliciting competitive quotations if the grantee considers the price to be reasonable.

C. Small purchases [2 CFR 200.320(b)]

Grant administration services may be procured using small purchase procedures when the procurement will not cost more than \$50,000 total (per Ohio Revised Code 307.86 and 735.05). The grantee must obtain price or rate quotations from an adequate number (i.e., three to five) of qualified sources.

D. Interagency Agreement

Local government grantees may noncompetitively procure grant administration services from any department, division, agency, or political subdivision of the state; from a port authority; from a regional or county planning commission; from a metropolitan housing authority; from a water or sewer district; or from a community action agency, community improvement corporation, or economic development corporation established under the provisions of the Ohio Revised Code.

III. Administrator Subcontracting

If the contracted administrator subcontracts for any administrative services, it must comply with its procurement policies and all applicable state and local policies, regulations, and statutes.

IV. Minimum Content of Contracts for Grant Administration Services

The contract for services between the grantee and administering organization must contain, at a minimum:

- all federal uniform administrative requirements;
- a description of the work to be performed;
- a work completion schedule;
- a budget;
- procedures for disbursing funds;
- requirements for records and reports that must be submitted;
- dispute resolution procedures;
- suspension and termination clauses;
- an access to records clause;
- a non-discrimination clause;
- a conflict of interest clause;
- subcontracting provisions; and
- any other provisions deemed necessary after consulting with the community's legal representation and reviewing federal, state, and local laws and regulations.

V. Adoption by Resolution

The contract between the grantee and the administering organization should be formalized with a resolution passed by the grantee's governing body.

VI. Other Requirements for Federally funded Grants

- A. Contracting with small and minority businesses, women's business enterprises, and labor surplus area firms

Per 2 CFR 200.321, grantees must take all necessary affirmative steps to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible. Affirmative steps must include:

1. Placing qualified small and minority businesses and women's business enterprises on solicitation lists;
2. Assuring that small and minority businesses, and women's business enterprises are solicited whenever they are potential sources;
3. Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses, and women's business enterprises;

4. Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority businesses, and women's business enterprises;
5. Using the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Minority Business Development Agency of the U.S. Department of Commerce; and
6. Requiring the prime contractor, if subcontracts are to be permitted, to take the affirmative steps listed in paragraphs (1) through (5) above.

B. Section 3 Requirement of the Housing and Urban Development Act of 1968, as amended

In accordance with the requirements under Section 3 of the Housing and Urban Development Act of 1968, as amended, grantees shall ensure that employment and other economic opportunities generated by the use of HUD funds shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low- and very low-income persons. Section 3 requirements apply to the expenditure of HUD funds for work – including administrative services - arising in connection with housing rehabilitation, housing construction, or other public construction projects. Current standards and procedures regarding Section 3 compliance are codified at 24 CFR 135.

VII. Maintenance of Records

The grantee is responsible for maintaining all records associated with procuring an administering organization, including a copy of the Request for Proposals (when applicable); the proposal submitted by the administering organization; the evaluation rating tool complete with the administering organization's performance; the written contract between the grantee and the administering organization; the resolution; and a record of funds disbursed.