

Portland Housing Bureau

Subrecipient Contract Management Manual

Adopted October 2012

This page is intentionally left blank

Table of Contents

Chapter 1: Introduction	3
Topic: Subrecipient Contracts at the Portland Housing Bureau	3
Topic: Funding Sources.....	4
Topic: Division of Responsibilities.....	7
Topic: Contract Manager Training	9
Chapter 2: Subrecipient Contract Cycle	11
Topic: Overview Of The Subrecipient Contract Cycle	11
Topic: Budgeting Phase.....	12
Topic: Contract Execution Phase.....	14
Topic: Program & Budget Management Phase	15
Topic: Completion Phase.....	17
Chapter 3: Contract Budget.....	19
Topic: Funding Sources.....	19
Topic: Budget Format	20
Topic: Fiscal Compliance.....	22
Topic: Administrative / Indirect Costs.....	24
Topic: Allowable Expenses.....	25
Chapter 4: The Contract Document.....	26
Topic: Overview	26
Topic: Contractor Letters.....	27
Topic: Constructing Subrecipient and Omnibus Contracts.....	28
Topic: Ordinances.....	32
Topic: Amendments	33
Chapter 5: Invoices (Requests for Payment)	34
Topic: Processing	34
Topic: Invoice Format & Backing Documentation Requirements.....	36
Topic: Invoice Submission Issues.....	37
Chapter 6: Subrecipient Monitoring.....	39
Topic: Overview of the Monitoring Process.....	39
Topic: Subrecipient Administrative Compliance Requirements	41
Topic: Desk Reviews	43
Topic: Performance Management.....	44
Topic: On-Site Monitoring	46

Appendices

- A1 - Contractor Letter Sample
- A2 - Contractor Letter Attachment – Equity Guiding Principles
- A3 - Contractor Letter Attachment – Demographic Report
- A4 - Contractor Letter Attachment – Proposal Format & Content
- A5 - Contractor Letter Attachment – Proposal Cover Sheet
- A6 - Contractor Letter Attachment – Contract Renewal Draft
- A7 - Contractor Letter Attachment – Budget Proposal Worksheet
- A8 - Contractor Letter Attachment – Federal Compliance Letter
- B1 - Sample Subrecipient Contract 1
- B2 - Sample Subrecipient Contract 2
- B3 - Sample Intergovernmental Agreement
- B4 - Sample Omnibus Contract
- B5 - Sample Omnibus Intergovernmental Agreement
- C1 - Sample Amendment – Subrecipient Contract Extension
- C2 - Sample Amendment – Omnibus Scope & Compensation Change
- D - Performance Measure & Reporting Guidelines
- E1 - Sample Invoice 1
- E2 - Sample Invoice 2
- E3 - Sample Invoice 3
- E4 - Sample Invoice 4
- F1 - Sample Monitoring Closing Letter 1
- F2 - Sample Monitoring Closing Letter 2
- F3 - Sample Monitoring Closing Letter 3
- G1 - Sample Monitoring Intro Letter 1
- G2 - Sample Monitoring Intro Letter 2
- G3 - Sample Monitoring Intro Letter 3
- H - Sample Monitoring Documentation Request
- I1 - Contract File Checklist
- I2 - Cost Reasonableness Checklist
- I3 - Desk Monitoring Checklist
- I4 - Fiscal Monitoring Form For Small Contracts
- I5 - Risk Assessment Checklist
- J - Invoice Submission Checklist
- K - Sample Subrecipient Program Report
- L - Sample Monitoring Follow-up Letter

Chapter 1: Introduction

Topic: Subrecipient Contracts at the Portland Housing Bureau

Summary

One of the key ways in which the Portland Housing Bureau (PHB) invests federal, state and local funds to support affordable housing and housing-related services is through written agreements with “subrecipients”. A subrecipient is a third-party organization that receives contracted funds from the City of Portland to carry out a specific activity. Depending on the funding source, different restrictions will apply regarding the activity, reporting, required contract language, etc.

This manual is written by PHB contract management staff as a reference guide to improve PHB subrecipient contracting activities in order to minimize risk and maximize program delivery. Please note that although some funding sources require designations other than subrecipient (e.g., grantee, sub-grantee, project sponsor) this manual will use the term subrecipient.

Procedures & Key Information

Current PHB goals for contract management incorporated in this guide include:

- Standardize the Bureau’s contracting process while recognizing that funding source, schedule and specific goals may necessitate variation from standard procedures;
- Ensure compliance requirements are met both by the bureau and by the subrecipient;
- Update and utilize formal templates for solicitations and contracts;
- Designate a single Contract Manager primarily responsible for solicitation, negotiation, managing, and closeout of each contract;
- Update this guide every two years;
- Support quarterly meetings of a work group comprised of PHB’s Contract Managers and other staff to review “lessons learned”, support “best practices”, and consider modifications to templates and processes;
- Continue to offer and improve training by Business Operations staff for any new Contract Manager;
- Implement the change from current data management/data storage systems to HDS and TRIM;
- Improve processes between Contract Managers and other PHB staff related to budget, reporting, and record-keeping; and
- Prioritize effective delivery of services to clients within the requirements of the funding source as the most important aspect of contract management at PHB.

When the word “contract” is used in this manual it refers to agreements used by PHB to allocate private and public funds to non-profit organizations, for-profit entities and local government agencies to perform human service and affordable housing-related activities. Other forms of PHB contract management not covered by this manual include: agreements used by the Bureau to finance affordable housing development; non-monetary agreements; leases; the contracts used by the bureau for its business operations; and contracts between other entities and PHB for services performed by the Bureau.

Chapter 1: Introduction
Topic: Funding Sources

Summary

Each contract at PHB contains funds from one or more specific sources. Each funding source has unique requirements, which change from time to time, and may require modification to the contract template. Contract managers will develop a strong working knowledge of the regulatory framework that applies to their contract funding sources.

Procedures & Key Information

The primary funding sources for contracts at PHB are summarized below.

- **Community Development Block Grant (CDBG)** – In 1974, the U.S Congress established the Community Development Block Grant Program through the enactment of the Federal Housing and Community Development Act. The program was created to enhance and maintain viable urban communities. The program gives communities an avenue to address a wide range of issues. Activities undertaken must accomplish at least one of three goals for low-to-moderate income individuals; 1) provide decent housing, 2) provide suitable living environments, and/or 3) expand economic activities.

Portland is an “entitlement” city and receives an allocation of CDBG funds annually under a population-based formula from the U.S. Department of Housing and Urban Development (HUD). All CDBG funds received by Portland are administered by PHB. No more than 20% of the sum of the annual CDBG allocation plus program income may be used for administration and planning, which is known as the “admin cap”. PHB uses most of the funds available under this “admin cap” to pay for staff working on CDBG programs. Some subrecipient services contracted for by PHB must be paid under the admin/planning cap due to the nature of the work. PHB can use an additional 15% (of the annual allocation plus program income) annually for “public services”. Public services include homeless services, job training, crime prevention and other social service activities. The remaining 65% are “program” funds that must be spent on what HUD defines as eligible activities.

- **HOME Investment Partnerships (HOME)** – The HOME Investment Partnership Program was created in 1990 through the Cranston-Gonzalez Affordable Housing Act. The sole purpose of this program is to create affordable housing for low-income individuals. HOME activities undertaken must accomplish at least one of two goals for low-income individuals; 1) provide decent housing and/or 2) provide suitable living environments. However, unlike CDBG, this program requires that the participating jurisdiction receiving the money have a match for each dollar awarded.

HUD also awards HOME funds by formula grant to the Portland HOME Consortium. (The Consortium includes the City of Gresham and Multnomah County). This resource funds a wide range of activities that build, buy and/or rehabilitate affordable housing for rent or homeownership, or provide direct rental assistance to low-income people. PHB allocates most of the City’s HOME allocation as loans and grants for housing construction or renovation. However, PHB also uses a portion of its HOME allocation for tenant-based rent assistance implemented through a contract with Home Forward. In addition, PHB uses HOME to fund operating support to eligible Community Housing Development Organizations (CHDOs).

- **Housing Opportunities for Persons with AIDS (HOPWA)** – HOPWA is a Federal program dedicated to addressing the housing needs of persons living with HIV/AIDS and their families. PHB administers the HOPWA Program for the seven-county Portland Eligible Metropolitan Statistical Area (EMSA) that includes Multnomah, Washington, Clackamas, Yamhill, Columbia, Clark and Skamania counties. PHB currently uses HOPWA to fund contracts with nonprofit organizations and Home Forward to provide housing and support to beneficiaries. In FY 2011/12, PHB allocated approximately \$1.4 million in HOPWA funds through seven contracts.
- **General Fund** – The City of Portland’s General Fund comes primarily from local property tax and business license revenues. The City Council allocates this resource annually, on either an on-going or a one-time basis. On-going allocations are considered part of the following year’s base general fund allocation (i.e., budget process starting point) while one-time allocations are not. PHB uses the majority of its general funds for subrecipient contracts delivering services to persons experiencing homelessness as well as homebuyer education and counseling, and foreclosure prevention.
- **Tax Increment Financing (TIF)** – TIF is a local source of funding the City generates by borrowing against future growth in property taxes within defined Urban Renewal Areas (URA’s). TIF can only be used in the URA in which it is generated. The City’s TIF set-aside policy requires that a minimum of 30% of expenditures across all Urban Renewal Areas (URA) of the City be targeted for affordable housing. The Portland Development Commission (PDC) is the City’s designated urban renewal agency. As such, the PDC manages this resource and passes TIF funds to PHB on a reimbursement basis through an intergovernmental agreement. PHB allocates most of its TIF to fund loans and grants for the development and renovation of affordable housing, but also contracts some to community partners providing home repair services and down payment assistance to households living within URA boundaries.
- **Emergency Solutions Grant (ESG)** – ESG funds are allocated by HUD through formula grants providing funds for basic shelter and essential supportive services for the homeless. ESG also provides short-term rent assistance to persons who are homeless or at imminent risk of losing their housing due to eviction, foreclosure, or utility shutoffs.
- **Continuum of Care (CoC) Program** – Formerly known as McKinney Grants, this funding was established by the McKinney-Vento Homeless Assistance Act and amended by the Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009 (HEARTH Act). The CoC Program is designed to assist individuals and families experiencing homelessness and to provide the services needed to help such individuals move into transitional and permanent housing, with the goal of long-term stability. More broadly, the program is designed to promote community-wide planning and strategic use of resources to address homelessness; improve coordination and integration with mainstream resources and other programs targeted to people experiencing homelessness; improve data collection and performance measurement; and allow each community to tailor its program to the particular strengths and challenges within that community. The program brings approximately \$12M/year into the community, including about \$1M via PHB.

- **Housing Investment Fund (HIF)** – The City established the Housing Investment Fund (HIF) in the mid-90s to meet affordable housing development goals in rental housing, special needs housing and homeownership. The resources came from the City’s General Fund. This fund – originally \$35M – has largely been exhausted; the remaining balance is made up of program income proceeds from earlier loans made from the fund.
- **Risk Mitigation Pool** – The City established the “Risk Mitigation Pool” as part of 10-Year Plan to End Homelessness using approximately \$800,000 of the HIF. Its purpose is to offset unexpected and/or increased costs associated with operating permanent supportive housing (PSH), such as (e.g., physical damage beyond normal wear and tear, emergency social services intervention, loss of rent and deposits because of frequent vacancies).
- **Lead-Based Paint and Healthy Homes** – The lead-based paint grant funds education programs and rehabilitation activities related to lead-based paint risk mitigation. The Healthy Homes grant funds programs intended to addresses multiple childhood diseases and injuries in the home by taking comprehensive approach rather than rather than addressing a single hazard at a time. Both are competitive three-year HUD grants.
- **Neighborhood Stabilization Program (NSP)** – Federal grants program established with the purpose of stabilizing communities that have suffered from large numbers of foreclosures and abandoned properties. Program is designed to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight.

Chapter 1: Introduction

Topic: Division of Responsibilities

Summary

PHB's subrecipient contracting operations are primarily executed by two PHB work areas – "Program Delivery" and "Business Operations". The content below describes the major responsibilities in each area.

Procedures & Key Information

The Program Delivery teams are responsible for the programmatic aspects of the contract. These tasks are typically managed by a single "Contract Manager" assigned to each contract. The Contract Manager is a functional role at PHB often assigned to individuals in the Program Coordinator classification, but may be assigned to employees holding other job classifications as well. The Contract Manager is the point person for all interactions with subrecipients, including:

- negotiating program design with subrecipients
- determining appropriate budgets
- establishing performance standards and appropriate reports
- drafting contracts using the PHB templates
- receiving and reviewing performance reports
- performance monitoring
- reviewing and approving requests for payments
- maintaining a professional relationship with the subrecipient that enables effective problem solving, and
- ensuring subrecipient compliance

The Program Delivery staff shares responsibility with the Business Operations team for administrative aspects of the contract including:

- file management / record keeping
- integration of contract budgets with the overall PHB budget
- federal reporting including IDIS, Consolidated/Action Plan, and the Consolidated Annual Performance Evaluation Report (CAPER)
- fiscal monitoring of subrecipients
- overseeing insurance, business license, and Equal Employment Opportunity (EEO) requirements of subrecipients
- processing payments

Other City Bureaus play a role in PHB contract management. After PHB approval, the Office of Finance and Management (OMF) ultimately pays subrecipient requests for reimbursement. The City Attorney's and the Auditor's offices also approve each contract at the time of execution. The primary channel for contract-related communications between PHB and other City bureaus is via PHB Business Operations.

Additionally, the City of Portland has a Grants Management office located within OMF. This staff has management responsibility for all grant agreements in which the City is the recipient. PHB's primary channel for communication with the Grants office is via the Finance & Accounting

Department within Business Operations, although the Contract Manager still plays a significant role in the content of those communications.

Chapter 1: Introduction

Topic: Contract Manager Training

Summary

In order to ensure consistency of process, quality of outcomes and adherence to compliance requirements, PHB policy requires Contract Managers to read and attend a number of different training resources and materials.

Procedures & Key Information

PHB's policy regarding Contract Manager (CM) training is as follows:

- **New Contract Manager Training** - PHB requires new Contract Managers meet the following training requirements:
 - This subrecipient contract management manual serves as a critical piece of orienting education. Contract Managers will read this manual within the first month of their employment with PHB. The new CM will direct questions to the manager-in-charge or to a more experienced Contract Manager colleague.
 - New CM's will also attend the PHB Finance & Accounting department's series of trainings. A new CM will contact a member of the F&A team to determine the date of the next training. In the meantime, however, these training modules are available under the "Training Materials" header on the F&A section of the PHB website at tinyurl.com/8jwtcqb. Contract managers should read these materials within the first month of their employment with PHB unless they are able to attend training within that time period.
 - New CM's must also familiarize themselves with CDBG program requirements unless there is no likelihood of managing CDBG resources. The following training materials will orient the Contract Manager to CDBG.
 - Managing CDBG – <http://tinyurl.com/96dvuyr>
 - CDBG: Playing By The Rules – <http://tinyurl.com/9p6shww>
 - CDBG Allowable Costs – www.tinyurl.com/9rss07q
 - New CM's need to learn the process for filing ordinances with City Council, as this is required in the course of executing subrecipient contracts. These training materials are available at <http://www.tinyurl.com/92atgqd>. Contract managers will read this manual prior to executing any contracts for PHB.
 - New CM's need to learn to use the TRIM electronic file management software. At the time of publishing of this manual, PHB is transitioning to TRIM for electronic file management.
- **Ongoing Contract Manager Training** - PHB requires each Contract Manager to attend at least one training event per year. This training should be selected strategically based upon the programmatic focus (or focuses) and funding sources managed by the individual Contract Manager. Trainings should include those sponsored by HUD (e.g., "Basically CDBG," "CDBG By The Numbers," etc.)

When possible, PHB will pursue opportunities to bring HUD staff to train multiple PHB staff locally. PHB will pay for higher cost (i.e., out-of-town) training as necessary, but this is contingent upon budget availability and other management priorities. The Contract Manager will work with the manager-in-charge to request approval to attend training.

Chapter 2: Subrecipient Contract Cycle

Topic: Overview Of The Subrecipient Contract Cycle

Summary

The subrecipient contracting process at PHB is intensive and complicated. Although the majority of the bureau's subrecipient contracts are effective from July 1 through June 30th of the following year, the contract cycle is much longer – it begins in the Fall preceding the upcoming fiscal year and is not complete until November following the contract end date. The key phases are as follows, described in further detail in the rest of this chapter.

- Phase 1 – Budgeting
- Phase 2 – Contract Execution
- Phase 3 – Program & Budget Management
- Phase 4 – Completion

Chapter 2: The Subrecipient Contract Cycle

Topic: Budgeting Phase

Summary

PHB's budget is established as a part of the City's overall budget process whereby the City Council adopts a single comprehensive budget for the City at-large. Through this budget process, PHB allocates funding to individual programs and contracts.

Procedures & Key Information

Subrecipient Contract Budgets

As described above, PHB establishes its subrecipient contract budget for the upcoming fiscal year during the City of Portland's (currently annual) Budgeting Process. And while the exact process and timing may change, the overall process is largely the same from year to year. This "City Budget 101" provides a good overview (particularly on pages 20-24):

www.portlandonline.com/phb/index.cfm?c=49635&a=273382

As the "City Budget 101" document describes, the City's budget is not adopted (i.e., finalized) until June. Once this process is complete and PHB finalizes the subrecipient contract budget, the Finance & Accounting department provides team-specific "subrecipient contract budget spreadsheets" to the program teams that document the budget allocations.

Once the program manager-in-charge and the Contract Managers on a given team receive the subrecipient contract budget file, they are responsible for maintaining it. If they wish to make any amendments to the allocations of funds on the spreadsheet, they must:

- Submit a contract budget amendment form
 - This form is located on the PHB employee website at www.tinyurl.com/8rdjeow
 - It provides a description of key request details (e.g., agencies & funding sources involved, programmatic purpose) and approval from the manager and exec team member-in-charge
- Forward the request to the F&A department
- Update the subrecipient contract budget spreadsheet accordingly (and accurately)

It is also recommended that Contract Managers discuss any proposed budget amendments with the Finance & Accounting department in advance of completing the paperwork, so as to troubleshoot any potential issues in advance.

The Consolidated Plan & The Action Plan

HUD requires development of a "Consolidated Plan" (aka, "The Con Plan") that provides a comprehensive strategic plan that encompasses affordable housing, adequate infrastructure, fair housing, enhancement of civic design, vigorous economic development combined with human development and a continuum of care for helping the homeless. All allocations of CDBG, HOME and other federal funding must be consistent with the local priorities as established by the City's adopted Consolidated Plan.

The Con Plan is a five-year strategic plan that sets out a collaborative vision for community development in the Portland area, based on an analysis of the best available data about how well the

local housing market meets the needs of area residents. A consortium of the City of Portland, Multnomah County, and the City of Gresham develops the Consolidated Plan, with public input, and then HUD must approve it.

The Consolidated Plan places an emphasis on how federal funds distributed by the U.S. Department of Housing and Urban Development (HUD) will be used to meet the local demand from low- and moderate-income households for (1) affordable rental housing and home ownership opportunities; and (2) opportunities to build incomes and assets. The expenditure of federal funds on local strategies to end homelessness has become an increasingly important part of the Consolidated Plan, as economic conditions have pushed more area households into homelessness.

In addition to the Consolidated Plan, the members of the Consortium also publish annual Action Plans. The Action Plans describe how CDBG, HOME and other HUD HCD (Housing and Community Development) funds will be used in the coming year to carry out the strategies outlined in the Consolidated Plan.

The Contract Manager does not have a central role in developing the Con Plan or the Action Plan, but may need to assist other bureau personnel in development relative to the activities for which the Contract Manager has responsibility. This may include helping to update sections of the annual Action Plan, as well as the Consolidated Annual Performance and Evaluation Report (CAPER), which describes the results and benefits produced by the consortium as they implemented strategies to achieve the Consolidated Plan objectives.

Chapter 2: The Subrecipient Contract Cycle

Topic: Contract Execution Phase

Summary

Once PHB has established its subrecipient contract budget, Contract Managers will communicate funding levels, along with any key administrative or programmatic changes, to the subrecipient in a document called the “contractor letter”. After the subrecipient receives these contractor letters, Contract Managers begin in earnest the process of developing, negotiating and executing their subrecipient contracts.

For subrecipient contracts effective July 1 of the new fiscal year, Contract Managers will make every effort to execute these contracts by the end of August. Subrecipient needs, however, may accelerate this timeline. Since contracts cannot be executed until the budget is adopted by Council, this can put subrecipients in a position of working without an executed contract, and can create a time crunch for Contract Managers and a cash flow issue for subrecipients.

Procedures & Key Information

For more detail regarding the contractor letter, see the “The Contract/Contractor Letters” section of this manual.

For more detail regarding negotiation, development and execution of contracts, see the “The Contract/ Constructing the Contract” section of this manual.

Chapter 2: The Subrecipient Contract Cycle
Topic: Program & Budget Management Phase

Summary

At this point in the cycle, contracts have been executed and Contract Managers are focused on managing subrecipients to ensure programmatic success and compliance with applicable requirements. Contract managers are responsible for the programmatic and administrative tasks described below.

Procedures & Key Information

The following describes key program management procedures in this phase of subrecipient contract management:

- **Setups In HDS** – Contract managers are responsible for setting up the activities they manage in the HDS system. An activity is defined as any unique combination of program, funding source, budgetary functional area and/or Federal “matrix” code. Generally-speaking, setup involves defining who the subrecipient is, what funding is allocated, what services are to be delivered and what the measurable outcomes will be.

The HDS implementation team has developed an HDS User Guide for Contract Managers that provides technical guidance on these tasks. This document is available at:

www.portlandonline.com/phb/index.cfm?&c=58852

- **File Setup** – After a contract has been fully executed and set up in SAP, the Office Support Specialist creates a contract file for the Contract Manager. Historically, the contract, all invoices, back up documentation, correspondence, quarterly reports, and amendments are kept in the file. Current files are kept at or near the Contract Managers desk. Contract files from the previous fiscal year that just ended are stored in a central location at PHB. Contract files from earlier years are archived through the City’s Records Center. Retention schedules vary along business lines and funding sources.

The implementation of TRIM may impact the types of documents Contract Managers choose to maintain in a paper file.

- **Desk Reviews** – Contract managers are responsible for conducting a series of “desk review” exercises intended to assess the overall “health” of the subrecipient and to determine agency/program capacity to successfully perform contracted goals. Detailed procedure is described in the “Monitoring / Desk Reviews” section.
- **Performance Management** – Contract managers are responsible for managing the performance of their contracts over the course of the fiscal year. This includes review of invoices and performance reports, monitoring of correspondence and documentation of all changes to the contract. Detailed procedure is described in the “Monitoring / Performance Management” section.
- **On-Site Monitoring** – PHB policy requires Contract Managers and members of the Finance & Accounting team to conduct desk-based and on-site monitorings of subrecipient

performance and compliance each fiscal year. Policy and procedure described in the “Monitoring / Onsite Monitoring” section.

- **Contract Amendments** – If programmatic needs require it, the Contract Manager is responsible for executing amendments to the contract to change the contract budget, extend the contract period, revise the scope of services or reporting elements, or make other changes. Detailed procedure is described in the “The Contract / Amendments” section.

A Contract Manager’s main budget management tasks take place as a part of the City’s Budget Monitoring Process (aka “the BMP”). Two or three times per fiscal year following the adoption of the budget, bureaus submit to City Council a series of budgetary reports and requests in the Budget Monitoring Process. During the Winter and Spring BMP (or simply Spring if the City cancels the Winter BMP), the Contract Manager is responsible for the following (as situationally applicable):

- **Decision Package Reporting** – When a subrecipient receives funding provided by a budgetary decision package, the Contract Manager must provide the Finance & Accounting team with a status report regarding expenditure of funds and progress towards program goals. Prior BMP submissions can be viewed here for context:

portlandonline.com/phb/budget/

- **Budget Carryforward** – Sometimes referred to as “carryover”, in the Winter and Spring BMP the bureau may reduce budget in the current year so as to “reappropriate” the budget in the next fiscal year. This approach can serve a Contract Manager well by proactively managing a budget that appears unlikely to spend down by fiscal year end. Moreover, carryforward in the Winter and Spring BMP can be done with funds not yet contracted (as contrasted with “Encumbrance Carryover” in the Fall BMP.) The Contract Manager however needs executive team approval to carry forward budget.
- **Contract Projections** – During the Winter and Spring BMP, the Finance & Accounting team is responsible for conducting projections of expenses and revenues. The F&A team will contact Contract Managers for assistance regarding spend-down of subrecipient contract budgets. The Contract Managers are responsible for making educated projections regarding spend-down and providing that information to the F&A team. Contract managers should also consider during this exercise whether the carryforward of funds might be necessary.

Chapter 2: The Subrecipient Contract Cycle

Topic: Completion Phase

Summary

As the contract term expires, the Contract Manager has a number of responsibilities dealing with financial and programmatic finalization. These include ensuring the Finance & Accounting team receives final invoices by the established deadline; closing out the activity in HDS; and as necessary, working with the F & A team to provide decision package status updates and carry over unspent budget for encumbered contracts active into the new fiscal year.

Procedures & Key Information

As things progress toward the end of the contract period – typically June 30th, the end of the fiscal year – Contract Managers need to be aware of several key processes.

- **Fiscal Year-End** – The City’s fiscal year ends on June 30th. For a brief period following that date (i.e., less than 2 weeks) PHB is able to “accrue” expenses back to the prior fiscal year and reimburse subrecipients. Thus, PHB Finance & Accounting sets a very strict deadline for subrecipients to submit final invoices. This deadline is cited in the contract and the F&A team will remind CM’s of this deadline as the end of the fiscal year approaches.

As the end of the fiscal year approaches, Contract Managers must remind subrecipients of this deadline and serve as the front-line in enforcing it. Additionally, if the Contract Manager becomes aware the subrecipient will be unable to meet the deadline, the Contract Manager must notify the Finance & Accounting team. (This isn’t to say the notification will result in an exception.) Last, if the subrecipient does not meet the deadline and gives no advance notice to this effect, PHB reserves the right to refuse reimbursement.

- **Contract Closeout** – Contract managers are responsible for the closeout of contracts which includes completing all filing of any submitted reports and invoices, data entry of outcomes and/or beneficiary data into HDS, and completion of any required narrative sections of the CAPER.

The HDS implementation team has developed an HDS User Guide for Contract Managers that provides technical guidance on these tasks. This document is available at:

www.portlandonline.com/phb/index.cfm?&c=58852

PHB submits the Consolidated Annual Performance and Evaluation Report (CAPER) to HUD annually by September 30th. This report includes narrative descriptions of program accomplishments as well as subrecipient performance information that has been downloaded from HDS to IDIS. The bureau coordinator for CAPER development will notify contract managers what narrative descriptions are required. This process typically takes place in August and September following contract completion.

- **Fall Budget Monitoring Process (BMP)** – As described above in the “Program & Budget Management Phase” section, the BMP is the City’s primary budget reporting and amendment process. During the Fall BMP, the Contract Manager has responsibility for three things (as situationally applicable):

- **Encumbrance Carryover** – In the Fall BMP, bureaus have the opportunity to “carryover” unspent funds from the prior year if they were encumbered on June 30th and if the contract end date carried into the new fiscal year. In the case of annual contracts, the contract must have been extended by June 30th to meet this requirement. It is also very important to understand that unencumbered (i.e., uncontracted) funds cannot be carried forward using this process – in such cases, the Contract Manager must use the Carryforward process in the Winter or Spring BMP.
- **Decision Package Final Report-out** – When a subrecipient receives funding provided by a budgetary decision package, the Contract Manager must provide the Finance & Accounting team with a final status report regarding expenditure of funds and achievement of program goals. Prior BMP submissions can be viewed here to provide context – portlandonline.com/phb/budget/.
- **Performance Measures** – During the Fall BMP, PHB must provide a final tally of its budgetary performance measures. The Contract Manager *may* need to assist in this regard, though primary responsibility falls on the Business Analysis, Research and IT team.

Chapter 3: Contract Budget

Topic: Funding Sources

Summary

PHB has more funding sources than most City bureaus. These sources are described in the “Introduction / Funding Sources” section of this manual. Each funding source has unique requirements and limitations, and being cognizant of these aspects and accounting for them appropriately in an executed contract budget can set a good foundation and minimize issues over the life of the contract.

Procedures & Key Information

PHB establishes the majority of subrecipient contract budgets during the annual budget process. (See the “Subrecipient Contract Cycle/Budgeting Phase” section for more details.) Funding decisions are made based upon the resources available. These decisions will also attempt to take into account what the best funding source might be for the specific services to be contracted. Some of the considerations include:

- Which funding sources permit this kind of activity?
- Do limits exist for a particular funding source for this kind of activity?
 - For example, the CDBG grant does not allow recipients to use more than 15% of its funding on “public service” activities, such as homelessness prevention.
 - If limits do exist, is there room in this year’s budget given other activities that are already planned?
- What are the other demands on these funding sources? What is the priority of this activity vis-a-vis other activities according to the strategic plan and the bureau’s stated priorities for contracts?
- Does the funding source require a match from another source? Also, is PHB planning on funding part, or all, of the activity?
 - Whether or not it’s a match requirement, if the overall program budget includes sources beyond the PHB contribution, the program budget should show the total amount budgeted in a separate column from the PHB-funded portion. (See Exhibit A in Appendices B1 and B2 for examples.)
- What types of expenses will be incurred in carrying out this activity? Some expenses may not be permitted under some funding sources, but are permissible under others. For example:
 - Most of PHB’s funding sources permit personnel costs for program delivery, but limit the amount of administrative personnel costs they will cover
 - Some sources prohibit administrative activities such as fundraising.
 - For additional detail, see the “Contract Budget / Allowable Costs” section later in this chapter.

Once the funding source has been determined, the CM must remember that if there is more than one source, it must be separated on the budget breakdown exhibit in the contract and on the invoices the subrecipient submits to PHB to request reimbursement. (See Exhibit A in Appendix B1 for a sample budget breakdown. See Appendices E3 and E4 for sample invoices.)

Chapter 3: Contract Budget

Topic: Budget Format

Summary

For both contract renewals and requests for proposals, the Contract Manager will request a draft budget from the subrecipient for the services described in the contract. It is the CM's job to evaluate the budget for ineligible costs, reasonableness, and completeness.

Procedures & Key Information

The general steps for budget submission are as follows:

- Identify and/or determine the amounts and funding sources for the various activities contracted. Obtain necessary approval from manager-in-charge.
- Contracts will typically be one of two varieties. First and most common is the “renewal” variety, whereby PHB re-engages the subrecipient to provide a scope of services similar to those provided in the prior contract period. Second and less common are “competitively bid” contracts, whereby PHB conducts a Request for Proposals (RFP) to identify one or more subrecipients that will deliver a set of services.
 - **For Contract Renewals** – Send out a Contractor Letter to the subrecipient including the total expected contract amount, broken down by funding source and program as applicable. (More detail is available in the “The Contract / Contractor Letters” section.) In its response to this letter, the organization must submit (amongst other things) a budget breakdown. This budget shows each major expense category for the activity and is divided into two columns showing the PHB-funded portion of the activity and the total amount the organization plans to spend for it. (See budget format template in Appendix A7.)
 - **For Contracts To Bid Out** – The RFP should detail PHB expectations as to the budget format, as it will be up to the organizations that submit proposals to include draft budgets that meet the requirements described above for those activities.
- Once Contract Managers receive budget drafts from the subrecipients, the CM must evaluate the budget for the following:
 - **Allowable Costs** (See the “Contract Budget / Allowable Costs” section for more detail.)
 - **Cost reasonableness** – Do the costs seem to be in line with general accepted parameters for the type of service provided? For example, are personnel costs in line with the norms for the sector? Do any of the amounts stand out as being high? If so, the contract manager can address questions to the contractor, and if necessary, can involve PHB fiscal staff in the discussion.
 - **Completeness** – Does the budget have enough detail to make the determinations of (a) and (b) above? Is there anything not included that you feel should be? For example, if you are paying personnel costs, is there a benefits line item? If you are paying program costs, is there a metric there so you can judge reasonableness (e.g., a per-unit estimation)?

Another consideration in establishing budget format is funding source. Some funding sources – such as HOPWA – have very specific categories of activities that must be used in budget breakdowns. On the other end of the spectrum, the City General Fund does not have specific requirements regarding how to break down the budget, except for certain categories that are used as

service categories (called “functional areas” in SAP) and other categories that have become important politically (such as administration and personnel).

In general, when developing subrecipient program and budget details, the Contract Manager should:

- Review the standard PHB subrecipient contract budget template. [See Appendix A7.]
- Review relevant contracts from the recent past to get ideas. [See Appendices B1 through B5.]
- Take into account funding-source specific requirements that necessitate variations from the standard template.
- Use best judgment and consult with colleagues if the budget submitted by the subrecipient is problematic in any way.

Chapter 3: Contract Budget

Topic: Fiscal Compliance

Summary

The PHB Finance and Accounting team has responsibility for maintaining files that document that subrecipients are compliant with Federal requirements listed below:

- **A-133 audit requirements** – An A-133, also referred to as a “single audit”, is an organization-wide audit that includes both the entity's financial statements as well as its federal awards. Federal regulations stipulate an A-133 audit is required if an agency expends \$500,000 or more of Federal funds in the previous fiscal year. PHB must monitor A-133 Audit status of all subrecipients, including whether or not they are A-133 eligible.
- **Cost allocation plans** – PHB monitors whether or not subrecipients request indirect cost reimbursement in all contracts with PHB. This is a Federal requirement, but PHB requires it for all funding sources. In order to be eligible for indirect cost reimbursement, the subrecipient must provide either: a Federally approved indirect cost rate agreement; or an indirect cost allocation plan that PHB has reviewed and approved.
- **FFATA Subaward Reporting System (FSRS) and Central Contracting Registry (CCR) registration** – PHB monitors that all subrecipient contracts are FFATA (Federal Funding Accountability and Transparency Act) compliant for Federal sources of funds. The FFATA requirement applies only to the Federally-funded portion of a contract.

Procedures & Key Information

PHB Finance and Accounting has designed procedures for complying with the three fiscal requirements described above. These Federal requirements apply to PHB because it administers Federal grant money. The A-133 and cost allocation requirements apply to all contracts, whether federally funded or not. The procedures are as follows:

- The three compliance reporting requirements are combined in a single form letter called the “Combined Fiscal Compliance Letter”. [Sample found in Appendix A8.]
- The Contract Manager will include the Combined Fiscal Compliance Letter when sending out a “contract renewal letter” or an “RFP Proposal Acceptance Letter”. More detail is available in the “The Contract / Contractor Letters” section of this manual and at Appendix A, respectively.
- Subrecipients are required to complete the information requested in this letter and return it to the bureau. The letter contains F&A contact information, so the subrecipient may contact F&A staff directly if any questions arise.
- Letters may be returned by mail, faxed, or sent by email PDF attachment. Contract managers collect the completed forms and the completed A-133 audits from subrecipients and send them to F&A.
- The F&A team saves/archives the returned letters.
 - F&A tracks which subrecipient contractors are subject to A-133 audit requirements and whether the organization has turned in its completed A-133 audit.
 - F&A reviews all indirect cost allocation plans submitted to ensure they meet basic Federal standards. For Federally-approved indirect rate agreements, F&A simply documents that an approved plan is on file.
 - F&A reviews FFATA forms and then sends them to the Grants Office. As part of the FFATA process, the subrecipient must register with the CCR (Central

Contracting Registry) website as a government contractor and must have a Dun & Bradstreet (DUNS) number, a unique nine-digit identification number for each physical location of their business. Both are explained in the form and are easy for the organization to complete.

- The F&A team will follow up at intervals throughout the contract year on this process. The Contract Manager may need to:
 - Ask the organization for its most recent A-133 audit or audits from past years
 - Ask the organization for clarification or changes to be made to its indirect cost allocation plans, or updates about its process in getting a Federally approved indirect cost rate
 - Ask the organization to give more information on any one of the three forms if they were filled out incorrectly
 - Follow up with the organization if its audit findings were problematic and were directly related to a PHB funded activity
- The F&A team will provide Contract Managers with input about the organization based on their monitoring of these fiscal compliance requirements. This may include that:
 - The organization has some inaccuracy in its A-133 audit or in its Schedule of Expenditures of Federal Awards (SEFA)
 - The organization's A-133 audit identified concerns or findings, raising the risk associated with the subrecipient contract.
 - The organization had a "clean" audit and was designated low-risk
 - The organization's indirect cost plan is problematic for some reason and F&A needs the Contract Manager's assistance to work with the organization to modify the plan

Chapter: Contract Budget

Topic: Administrative / Indirect Costs

Summary

PHB's Finance and Accounting team has primary responsibility for collecting and maintaining information on all subrecipients' use of administrative and/or indirect costs. Contract managers are involved in the discussion of these issues. *Administrative cost* is a term that generally refers to those costs that are not specifically concerned with program or service delivery, while *indirect cost* refers to a mode of charging such costs, using a rate applied against program (i.e., direct) costs. Therefore, some subrecipients may charge administrative costs directly to a program, whereas others will use an indirect method to charge them. If there is an indirect method, PHB requires that the subrecipient provide a Cost Allocation Plan or Indirect Rate Agreement describing how the subrecipient arrives at its calculations of indirect costs.

Procedures & Key Information

Certain funding sources limit how much of a given source one may use for administrative activities. The percentage varies with the funding source.

- CDBG: 20% max per year but may be more or less for individual contracts
- HOME: 10%, used for TBRA only
- HOPWA: 7% of each subrecipient contract; 3% of overall grant for PHB program administration
- ESG: 3% of overall contract
- Other Federal grants: Usually 5% or less of overall contract
- TIF: Generally, PHB does not fund administrative expenses with this funding source

Each subrecipient must clearly designate administrative costs in their program budgets. Each subrecipient must also indicate on the cost allocation form (part B of the Combined Fiscal Compliance Letter) whether it will request reimbursement for indirect costs under their PHB contract.

The Contract Manager should:

- Send out the forms with the contractor letter. (See the "The Contract Document / Contractor Letters" section for more detail)
- Provide the letter to F&A if it is not directly returned to that team
- Be a liaison between the F&A team and the contract subrecipient if F&A thinks the cost allocation plan is missing or incomplete
- Ask F&A any questions he or she may have about the indirect cost portion of the contract, the substance of the submitted plan or rate agreement, or any other questions on the subject

Chapter 3: Contract Budget

Topic: Allowable Expenses

Summary

City policy prohibits certain types of expenses. These prohibitions do not apply exclusively to City funding sources, but rather to all funds PHB administers since they all flow through the City of Portland's financial structure. Federal sources have numerous restrictions as well. It is the responsibility of the Contract Manager primarily, and Finance & Accounting secondarily, to ensure the bureau does not reimburse a subrecipient for ineligible expenses.

Procedures & Key Information

The City of Portland employee website has a useful summary of ineligible costs at the following location – www.portlandonline.com/phb/index.cfm?c=52441&a=361816.

This document lists types of expenses and whether they are allowable for different classes of entities (i.e., local governments vs. non-profits vs. educational institutions). Contract Managers and members of the Finance & Accounting team must be familiar with this so as to minimize eligibility issues.

OMB Circular A-122 (“Cost Principles For Non-Profits”) is another useful resource. It describes in detail, amongst other things, what types of costs are allowable for non-profit organizations receiving Federal funds. This OMB circular is available at www.whitehouse.gov/omb/circulars_a122_2004/.

If a subrecipient contractor submits a reimbursement request for ineligible costs, follow these procedures

- **If an unallowable cost is identified prior to payment of the subrecipient invoice**, the Contract Manager will contact the organization, explain which costs are not allowable and request a corrected invoice that does not include reimbursement of those costs.
- **If the unallowable cost is discovered after an invoice has been paid**, the Contract Manager must direct the organization to subtract that amount from its next invoice.
- **If the unallowable cost has been reimbursed by PHB and the contract has ended**, the Contract Manager must direct the organization to repay that expense. If the contract was grant-funded, the F&A department will have to receipt the check and issue one of its own to the grantor (usually HUD).
 - In some past cases, PHB has elected to reimburse the granting agency without requiring repayment from the subrecipient organization because repayment was deemed too arduous for that organization. Such exceptions to the standard procedure are made only at the bureau director's discretion.

Contract Managers can best avoid these situations by carefully reading and understanding the terms of the grant agreements or other funding agreements that apply to the funding sources used by PHB. If there is a question not answered by this manual or other PHB resources, the Contract Manager should ask compliance and fiscal staff or his/her manager for guidance, preferably before a contract is finalized. When a cost is found to be ineligible, it can expose PHB to a substantial risk, since any repayment may come out of another finite source. The more Contract Managers are familiar with their funding sources, the less risk PHB incurs.

Chapter 4: The Contract Document

Topic: Overview

Summary

A subrecipient contract details the obligations and duties of the Subrecipient throughout the duration of the contract as well as governing the use of program income even after the end of the contract. Contracts are legally binding agreements. It is important for the Contract Manager to clearly articulate the responsibilities and expectations of the Subrecipient in the contract, as this is the measure by which monitoring, evaluation, and future funding will be determined.

Procedures & Key Information

See the following sections under “The Contract” chapter for detailed information.

Chapter 4: The Contract Document

Topic: Contractor Letters

Summary

A letter from the PHB Director to each subrecipient initiates the contracting process each year. The Contractor Letter includes the funds budgeted for each Subrecipient. The Contractor Letters are typically sent out late in the budget process; otherwise there is a possibility that the final budget numbers may change.

Procedures & Key Information

After the bureau has finalized the Contractor Letter, each Contract Manager is responsible for sending out the letters to their Subrecipients. This is generally done via email. Attachments may vary from year to year. Contract managers will receive all of the appropriate attachments.

Attachments include:

- **Contractor Proposal Format & Content** – This is a checklist of required proposal components including insurance certificate, EEO certification, and business license or exemption.
- **Contractor Proposal Cover Sheet** – This includes questions regarding cost reasonableness, program income, and subcontracts.
- **Contract Renewal Draft Contract** – This is an electronic version of the current year's contract for the Subrecipient to use as a template to update the coming year's contract.
- **Budget Proposal Worksheet**
- **Federal Compliance Letter** – This includes information on the A-133, the indirect cost allocation plan, and FFATA requirements.
- **PHB Guiding Principles of Equity and Social Justice**
- **Participant Demographic Report**

Sample contractor letter and attachments are included in Appendix A.

Contractors have approximately three weeks to complete and submit their annual proposal. Contractor proposals are a vital step in annual bureau processes. In the absence of an RFP, this serves as an application. This is essential for contractors receiving federal funds. As a government agency distributing federal funds, transparency and fairness are critical.

Chapter 4: The Contract Document

Topic: Constructing Subrecipient and Omnibus Contracts

Summary

PHB is moving toward standardization across contracts. Although there is a wide range of funded activities such as emergency shelters, homebuyer assistance, case management and lead remediation, the format of each contract is essentially the same. There are two basic contract templates – the basic *Subrecipient Contract* template and the *Omnibus Contract* template. The former is for a single contract-funded program, while the latter is used for multiple programs funded within a single contract. An Intergovernmental Agreement (IGA), a contract with another governmental entity, will follow the Omnibus format.

All contracts will contain the following:

- Scope of Services
- An Explanation of PHB’s Commitment to Equity Agenda
- Performance Measures/Outcomes/Outputs
- Reporting Requirements
- Compensation
- Boilerplate
- Signature Page
- Exhibits
 - Budget
 - Invoice template
 - Quarterly Report Form
 - Participant Demographics Report (only for subrecipients that do not use Servicepoint)
 - PHB Guiding Principles of Equity and Social Justice
 - Other exhibits as necessary

Procedures & Key Information

Contract Managers are responsible for working with subrecipients to draft the contract that will ultimately be executed between the City and the subrecipient. The Contract Manager should refer to the following resources in drafting the content of the various contract sections described above:

- Samples of previously-executed PHB contracts. [See Appendix B.]
- Prior year’s contract with subrecipient (if such exists)
- The entirety of the content of the Subrecipient Contract Management Manual

One exception to this process is the boilerplate section of the contract. The Contract Specialists in the F&A department will insert this language verbatim into the contract. The boilerplate language is discussed further below.

The following provides section-specific guidance in developing a subrecipient contract.

Scope of Services:

A well written scope of work can do more for the success of the contract than any other part of the contracting process. A good scope of work is clear, complete, and logical enough to be understood

by the subrecipient and the PHB personnel who will administer it. Because it describes the details of performance, it is the yardstick against which the subrecipient's performance is measured.

A scope of services sets forth requirements for performance of work to achieve program or project objectives. Since it defines the scope of work to be performed, its precision has a direct effect on efficient contract administration. This section must delineate the entire scope of services to be performed and specify all the tasks. The scope may also define how the job is to be accomplished. When objectives are not well described and defined, misunderstandings are likely. If a term could be misunderstood, the Contract Manager should include a definition so that both parties have the same frame of reference. The Contract Manager should avoid using words or phrases whose meaning is open to interpretation, such as "should" or "may". Ambiguous contract language can lead to unsatisfactory performance, delays, and increased costs.

Performance Measures:

Performance measures gauge the results of completed work, assist in defining whether subsequent changes are necessary to the original scope of services, and assist the Contract Manager in monitoring the progress of the work.

The Contract Manager should establish relevant and well-defined outputs and outcomes to measure contractor performance. It is important to distinguish between outputs and outcomes. In general, outputs are services the subrecipient provides to program participants, while outcomes measure the results of these services. A subrecipient may provide a homebuyer fair as an output, and the outcome might be that X number of households follow up with a homebuyer education class. Or an organization provides foreclosure prevention counseling to X number of clients (an output), and Y number of clients obtain permanent loan modifications and remain in their homes (an outcome). Most contracts list both outputs and outcomes.

See supplemental material in Appendix D.

Reporting Requirements:

Performance reporting is a system of planning and reporting that is oriented toward achieving results. Reporting is designed to help clarify program goals and directions; communicate the priorities of the organization and thus PHB; monitor progress and make continuous improvement; support budgeting and resource allocation decisions; and provide information to Commissioners, the public, media, and others about the work PHB funds. Most contracts require either monthly or quarterly reporting.

Reporting on performance is not an end in itself, but an important part of effective management and accountability. Reports on activities and achievements provide important information to allow for the best possible decision-making in the next planning cycle.

As part of PHB's Equity Agenda and to better support its strategic plan and budget PHB has refined its data collection and reporting systems. This has enhanced PHB's ability to work with data and to drive decision-making that supports PHB and community goals. Beginning in FY 12-13 every Subrecipient contract will include a new Participant Demographics Report. This new format is compatible with HMIS and aligns with what Multnomah County is asking of its contractors. The new report will allow for greater flexibility in reporting people who identify as multi-racial. In addition to PHB requirements, Subrecipients with federally-funded contracts will continue to collect racial and ethnic data according to federal guidelines.

PHB has developed equity access goals that are a vital tool in PHB's efforts to distribute resources to communities with the highest needs and the least historical access to those resources. Each Subrecipient will develop access goals by race and ethnicity to be incorporated into their contract.

See supplemental material in Appendix D.

Compensation:

The section on compensation should include: requirements for back-up documentation; time allotted for disbursement of funds; the amount of the contract; the frequency with which invoices shall be submitted; net payment terms (i.e., time allotted for disbursement of funds); process for requesting budget changes; and special instructions (e.g., whether funds may be used to purchase non-expendable personal property or equipment or how to handle program income). It should also include a provision that PHB reserves the right to withhold reimbursement for invoices if the subrecipient does not submit regular and timely reports (normally quarterly reports.)

The City of Portland's standard for net payment terms is 30 days. This means that an invoice will be paid 30 days after the close of the billing period or the date on the invoice. Invoices are due 15 days after the close of the billing period. June invoices, because of the end of fiscal year, are due sooner, typically 5-10 days after the end of the Fiscal Year. June invoice due dates are determined by the F&A department based on City requirements.

Boilerplate:

Contract Specialists add the boilerplate language to the draft contract based on the funding source. PHB currently has the following boilerplates:

- CDBG: Community Development Block Grant funds
- COUNTYGF: General Fund provided to Multnomah County
- EDIreg: Subrecipient agreement using EDI funds
- ESG: Emergency Solutions Grant funds
- GF: City of Portland General Fund
- HOME: HOME Entitlement funds
- HOPWA: Housing Opportunities for Persons with AIDS funds
- HOPWA Clark County: HOPWA funds provided to Clark County
- IGA GF: General Fund provided to another government agency
- LEAD: Lead Grant funds

The boilerplates can be found on the PHB shared directory at:

[K:\Operations\Finance\Contracts\Boilerplates\](#)

Contract Managers that need boilerplates for new funding sources, or would like to make changes to current boilerplates for specific Subrecipients, must work with the City Attorney's office and PHB compliance staff.

Signature Page:

Every contract must include a signature line for the City of Portland (either PHB Director or the Commissioner, if it exceeds \$100,000), Contractor and City Attorney. A signature line for City Auditor must be on all contracts exceeding \$100,000.

Exhibits:

PHB requires four contract exhibits (1) the contract budget, (2) a template for the invoice, (3) the Participant Demographics Report (if the subrecipient is not reporting data via Servicepoint) (4) PHB's Guiding Principles of Equity and Social Justice. For samples of these exhibits, see Appendices A7, B1-B5, A3 and A2, respectively.

The Contract Manager and the nature of the contract determine whether there are additional exhibits. Some common exhibits include: Quarterly and Year-End Progress Reports; a breakdown of personnel by FTE; HMIS specifications; and specific funding requirements such as the HOPWA Rent Calculation Sheet or the Lead-Based Paint Notification Documentation Form.

Chapter 4: The Contract Document

Topic: Ordinances

Summary

An Ordinance is a formal document by which the Council conducts its legislative, quasi-judicial and most administrative business. Once passed by City Council, ordinances hold the force of law. An ordinance is required when a subrecipient contract exceeds a \$100,000 threshold; contracts for less can be executed with the bureau director's signature.

Contract managers are responsible for drafting ordinances as necessary and for working with Business Operations staff to file the ordinance for City Council.

Procedures & Key Information

The City of Portland Auditor's office has developed a drafting manual for writing ordinances. This guide can be found on the Finance & Accounting section of the PHB employee website at:

www.tinyurl.com/92atgqd

Additionally, the PHB Finance & Accounting department has developed a "Drafting & Filing Council Documents" training. This resource is available at tinyurl.com/8jwtcqb.

Last, it is important to insert language into ordinances filed to execute subrecipient contracts that grants the bureau director the authority to execute changes up to 25% of the contract total. If unable to find this language, the Contract Manager should contact the F&A department for assistance.

Chapter 4: The Contract Document

Topic: Amendments

Summary

An amendment is a formal change to a subrecipient contract that has been fully executed. Amendments can add, remove, or update the terms of the contract, such as total compensation, scope of services, reporting requirements, or contract period. Contract managers are responsible for taking the lead in executing amendments whenever they are necessary (as described below).

Procedures & Key Information

The following applies to signature authority for contract amendments.

- **For contracts exceeding \$100k:**
 - Amendments increasing compensation by more than 25% require an ordinance be filed with City Council to execute the amendment.
 - Amendments increasing compensation up to 25% can be executed with the bureau director's signature (provided the original authorizing ordinance contains that provision).
- **For contracts up to \$100,000**, amendments increasing compensation can be executed with the bureau director's signature, unless total revised compensation exceeds \$100,000. In this case, the restrictions above apply.
- **All other contract amendments can be authorized by the Contract Manager.**

Keep in mind, however, that while the signature authority as described above varies in executing amendments, two other administrative processes remain unchanged – the budget amendment form process and the contract routing process.

- A budget amendment form is required for any change to contract compensation. See more detail in the “The Subrecipient Contract Cycle/Budgeting Phase” chapter.
- For any contract amendments that require authorization by the bureau director or the City Council, the contract routing process applies. Once the contract or amendment is finalized, it must be routed for review and approval by the Program Manager-in-charge, Executive Team member-in-charge, Finance & Accounting Manager, and Bureau Director

Sample contract amendments are included in Appendix C.

Chapter 5: Invoices (Requests for Payment)

Topic: Processing

Summary

In order to receive payment, subrecipients must submit invoices or “requests for payment” to the Contract Managers. It is the Contract Manager’s responsibility to review those invoices, work with the subrecipient to resolve any identified issues, and to take the first step in processing the invoices for payment. Barring any issues that delay processing, Contract Managers will process invoices within 2 business days of receipt.

Contract managers are authorized to approve subrecipient invoices for payment once the subrecipient contract is executed, assuming the invoice does not exceed the contract budget for any activities.

The Portland Housing Bureau funds subrecipient operations on a reimbursement basis only. Exceptions to this are made only at the bureau director’s discretion except as otherwise documented in this policy & procedure.

Procedures & Key Information

The subrecipient may send the signed invoice to the Contract Manager in one of three ways:

- Via email (as a PDF)
- Via fax
- Or as a hardcopy via US mail or other physical delivery method.

Subrecipients do not need to send the original hard copy invoice to PHB if they have already sent an electronic version. Once the invoice is received:

- The Contract Manager (CM) must verify that:
 - The invoices meet the city format requirements
 - Reimbursement is for costs eligible under the regulations of the specific funding source. (See “Introduction / Funding Sources” section and “Subrecipient Monitoring / Subrecipient Administrative Compliance Requirements” sections.)
 - Required backing documentation is received. (See “Invoice Format & Backing Documentation Requirements” section in this chapter.)

If the invoice does not meet the requirements above, the CM cannot process it for payment. The CM must contact the subrecipient and request any missing information and, if necessary, request a new, corrected invoice.

- Once the invoice is deemed satisfactory, the CM stamps a hard copy of the invoice with an invoice stamp, fills out the information required, and then initials it in the “Approved By” space. Stamps are available for each Contract Manager from a member of the PHB administrative team.
- CM will then make a copy of the invoice to maintain in the contract file until a contract specialist returns the original stamped invoice.

- The CM will then forward the hard copy invoice to a Contract Specialist (CS) on the Finance & Accounting team.
- The CS reviews the invoice for accuracy and then processes a “goods receipt” in SAP (the City’s financial management system). The CS then forwards the invoice to an accountant on the Finance & Accounting team.
- The Accountant then processes an “invoice receipt” in SAP. If the invoice is related to federal funding, then the Accountant I gives the invoice to the Grants Analyst, who submits the invoice as part of a billing so that PHB can be reimbursed by the grantor.
- The F&A team then returns the invoice to the Contract Manager.

The following information pertains to the timing of reimbursement:

- The city operates on a 30 day billing cycle, and will not pay an invoice until 30 days after the end of the invoice billing period. (See the section on “Invoice Submission Issues” for a definition of billing period.)
- An exception to this rule is when the invoice includes funds needed at escrow for closing. To enable expedited payment, the Contract Manager must write a provision for immediate disbursement into the “Compensation and Method of Payment” section of the contract. This can be as simple as: “The City will process invoices for immediate payment.”
- If the subrecipient desires, a representative from the subrecipient may pick up the check from the office of the auditor on the ground floor of City Hall in lieu of having it mailed. The Contract Manager must arrange this in advance by notifying the PHB accountant prior to processing. The check is usually available at the auditor’s office the day after the City check run (when checks are printed). The auditor’s office will call the PHB accountant when it is ready, who will then call the subrecipient.

Chapter 5: Invoices (Requests for Payment)

Topic: Invoice Format & Backing Documentation Requirements

Summary

Subrecipient contractors will submit invoices that follow the standard PHB subrecipient invoice format. Exceptions to this can be made only if the funding source requires a modification to the format, or if the subrecipient makes a compelling argument for an alteration to the format.

Procedures & Key Information

See the standard template of the PHB invoice (“request for payment”) form that each Contract Manager adapts and inserts into the original contract with the subrecipient or contractor.

For administrative ease, the Contract Manager should separate line items on the invoice by funding source and clearly indicate the funding source used. For example, for a contract receiving CDBG and General Fund, the subrecipient would:

- List all line items using CDBG, and include a subtotal
- List all line items using General Fund, with a subtotal
- Include a grand total with the sum of both funding sources.

Invoices are generally labeled Exhibit B in the contract because they follow the budget in Exhibit A, and need to be based on it. The invoice should consolidate individual budget line items into the following general categories:

- **Personnel** – Salary & benefits associated with direct program activity
- **Operating Expenses** – Non-personnel expenses associated with direct program delivery
- **Administrative Expenses** – Personnel & non-personnel expenses billed
- **Client Assistance** – Funds passed through subrecipient directly to clients

PHB does not require all subrecipients to submit backing documentation along with the invoice. However, contract managers may require financial or programmatic documentation be submitted along with the invoice. These requirements may be spelled out in the contract or the CM may request it on an ad hoc basis. Additionally, subrecipients must maintain files that comply with Federal requirements. (See “Subrecipient Monitoring / Subrecipient Administrative Compliance Requirements” section for more detail.)

Chapter 5: Invoices (Requests for Payment)

Topic: Invoice Submission Issues

Summary

There are numerous issues that can delay invoice payment to a subrecipient agency. The City's Central Financing and Accounting will typically not process invoices that deviate from the prescriptions stated below. Aberrations may also raise concerns for auditors.

The PHB Finance & Accounting team reserves the right to suspend processing of an invoice until issues of the nature described below are resolved.

Procedures & Key Information

The Contract Manager must work with the subrecipient employees to ensure they understand how to correctly prepare invoices. A checklist is included as Appendix J to assist subrecipients and contractors. The following are the basic requirements:

- **Letterhead:** The invoice must be printed on letterhead, and that letterhead must include contact information for the subrecipient or contractor.
- **The Contract Number:** The number must be printed clearly on the invoice.
- **The Math:** The line items must add up to the correct totals, and the *Billed Year to Date* and *Balance* amounts must be accurate. Contract managers may wish to maintain their own spreadsheets tracking subrecipient expenditures, as this can save time and avoid confusion.
- **Signatures:** Two signatures are required. Both the person who prepares the invoice and a *different* person who authorizes the invoice must sign and date each invoice.
- **Reimbursement:** The city will only reimburse organizations for eligible contract costs; it will not make advances to cover expenses yet to be incurred or paid. (The only exception to this rule is when contract funds are needed in escrow for closing on a property – see the “Invoices/Invoice Format” section for detail.)
- **Contract Grant Period:** This is the period of time during which the contract is valid, usually based on the city fiscal year, July 1 through June 30 of the following year. The City will not pay for expenses incurred outside this period. PHB also requires final invoices be received by the deadline defined in the subrecipient contract.
- **Invoice Billing Period:** This period – typically a calendar month or quarter of a fiscal year – marks the period for which the subrecipient is billing PHB. The subrecipient will include only those expenses it recorded in its financial system during that period. For example, services rendered to the subrecipient in July but not paid by the subrecipient until August would be included with the August billing. The City will pay the invoice only if the billing period has ended, and it falls within the contract grant period.
- **Funding Source:** Funding sources must be clearly and accurately indicated on subrecipient invoices. If these are inaccurate, the Contract Manager must request a corrected invoice from the subrecipient. It is unacceptable for the CM to correct the funding sources on the invoice on the Subrecipient's behalf.
- **Eligibility:** If the CM determines costs billed by the subrecipient are ineligible, the CM will contact the organization, explain which costs are not allowable and request a corrected invoice that excludes the ineligible costs. (See “Contract Budget / Allowable Expenses” section for more detail.)

- **Backing Documentation:** Backing documentation must meet requirements defined in the contract. See “Invoice Format & Backing Documentation Requirements” section in this chapter.
- **Deliverables:** The CM may refuse to process the invoice if the subrecipient does not submit regular and timely progress reports as required by the contract if this provision is included in the contract. (See the “The Contract Document / Constructing Subrecipient and Omnibus Contracts” for more detail.)

Chapter 6: Subrecipient Monitoring
Topic: Overview of the Monitoring Process

Summary

Contract monitoring is an important responsibility of the Contract Manager. Monitoring helps to ensure that public funds are being managed and spent on the activities and services for which they are intended. It also assists in ensuring subrecipients (and by extension PHB) are maintaining compliance with Federal requirements. The programs funded by PHB are expected to meet certain standards in providing services to benefit specific individuals, groups and/or communities. Contract monitoring is a useful method of determining the extent to which this is actually happening.

In addition to ensuring compliance, monitoring also helps Contract Managers to:

- Become familiar with the agency, its programs and staff;
- Understand the intent of the services in relationship to the population(s) being served;
- Identify areas of strengths and challenges in the contracted program(s), and offer technical assistance when needed; and
- Foster open, on-going communication with subrecipients to support effective programming and financial management.

PHB has a variety of funding sources, many of which have unique monitoring requirements. In developing a monitoring plan, the requirements of the appropriate funding source(s) guide many of the specific items will be reviewed. Monitoring guidelines for federal funding sources (e.g., CDBG, ESG, HOME) are found in the “Community Planning and Development Monitoring Handbook” at the following location -- www.hud.gov/offices/cpd/library/monitoring/handbook.cfm. These resources were developed by HUD for its own staff’s monitoring processes, and as such, serve as excellent guides for PHB monitoring activities.

The time required to monitor a contract varies greatly and depends on several factors, including: the source(s) of funding, dollar amount of contract, types of programs and activities funded, and past performance history with PHB. The following table summarizes the three main components performed by the Contract Manager in the contract monitoring process.

Monitoring Component	Description	Frequency
Desk Monitoring/ Risk Assessment	A compilation of monitoring forms that assess the contractor’s overall capacity to successfully carry out contracted services. Contractors are given a numeric “risk” value, which determines if an on-site monitoring visit is warranted.	Annually, preferably within the first 6 months of contract start date
Performance Review	A review of the contractor’s program reports, financial invoices and correspondences (phone, email, in-person meetings), to determine whether the program is on track with meeting its goals and expenditures.	Conducted quarterly (program reports), monthly (financial invoices) or more frequently based on need
On-Site Monitoring	A scheduled visit at the subrecipient’s agency site, involving an in-depth review of program documents and processes, staff interviews, financial document review and follow-up to any concerns or findings. The goal of the on-site monitoring is to ensure that subrecipients are performing program activities and spending funds in compliance with the contract. The on-site monitoring also provides the opportunity to address more serious issues that have been previously identified, and engage contractors more fully in discussing and resolving problem areas.	Minimum of once every four years; more frequently if necessitated by risk assessment

A description of each of these components is provided in the following pages, which includes links to useful document forms and templates.

Chapter 6: Subrecipient Monitoring

Topic: Subrecipient Administrative Compliance Requirements

Summary

PHB's federal funding sources require the bureau and the bureau's subrecipients to comply with numerous requirements in the administration of federally-funded programs. Failure to comply can result in repayment of funds, audit findings and loss of future federal funding. This section is not a comprehensive detailing of compliance requirements; rather, it focuses on some of the key administrative compliance requirements that pertain to subrecipients.

Procedures & Key Information

CDBG Administrative Systems

The *Playing By The Rules* training manual provides detailed descriptions of the administrative requirements subrecipients must meet in administering CDBG activities. That manual is on the PHB employee website at tinyurl.com/9p6shww. The following briefly describes some chief requirements that apply to PHB's subrecipients.

- **Internal Controls** – Maintain procedures, specified job responsibilities, qualified personnel, and records that together create accountability in an organization's financial system and safeguard its cash, property, and other assets.
- **Accounting Records** – Have accounting records that adequately identify the sources and application funds.
- **Allowable Costs** – Ensure all costs incurred as a part of financed activities are necessary, reasonable, and directly related to the grant; authorized by the grantee (i.e., PHB) via the contract budget; and compliant with OMB circulars A-87 and A-122 (as applicable to you're the subrecipient)
- **Financial Reporting** – Generate reporting that is accurate, timely, current, and represents complete disclosure of the financial activity and status of funds.
- **Source Documentation** – Retain source documentation backing financial transactions as per Federal requirements.
- **Procurement** – Meet federal requirements ensuring that supplies, equipment, construction and other services acquired with Federal funds are obtained as efficiently and economically as possible and procured in a manner that provides open and free competition.
- **File Maintenance** – Maintain administrative, financial and project files that comply with requirements, such as beneficiary demographic documentation and file retention schedule.
- **Program Income** – Follow requirements for using, reporting and returning program income generated by activities funded by CDBG.
- **Audits** – Fulfill requirements for audit processes that ensure that agencies administer federal funds “efficiently, economically and effectively to achieve the purposes for which the resources were furnished.”

Cost Principles

The subrecipients with which PHB works are typically non-profit organizations or local governmental agencies. The Office of Management and budget (OMB) has established principles for determining allowable costs of programs administered by agencies under grants or contracts from the federal government. The principles are designed to provide the basis for a uniform

approach to determining costs and to promote efficiency. These principles vary depending upon the nature of the organization. They are detailed in the following documents

- **For Non-Profits** – OMB Circular A-122, "Costs Principles for Non-Profit Organizations"
- **For Local Governments** – OMB Circular A-87, "Cost Principles for State and Local Governments"

In addition, the following document summarizes whether particular varieties of costs are allowable or not under Federal guidelines – tinyurl.com/99svv45.

Chapter 6: Subrecipient Monitoring

Topic: Desk Reviews

Summary

The Contract Manager will conduct various “desk review” activities to assess the overall “health” of the contractor and determine agency/program capacity to successfully perform contracted goals.

This process assigns a numeric “risk” value that determines if an on-site monitoring visit is warranted. The required deadlines for these various desk reviews are detailed below.

Procedures & Key Information

The Contract Manager uses the following forms in the course of desk reviews of subrecipient contracts over the course of the fiscal year. They are included in this manual as Appendix I.

Job Tool	Description of Purpose	When To Complete
Contract File Checklist	Provides a summary confirming that all of the required compliance documentation associated with the contract is complete and contained in the contractor file.	Over course of contract period to track key info & events
Cost Reasonableness Checklist	Provides questions about the costs associated with the contract, whether the contractor has a balanced budget and confirms that contracted costs are eligible under the guidelines of the funding source.	Prior to execution of contract
Risk Assessment Checklist	Assesses the contractor with a “risk score” based on a series of questions to determine level of adherence to program and financial requirements. A score of 5 or higher constitutes a “high risk” and results in the scheduling of an on-site monitoring visit.	Within 4 months of contract effective date
Desk Monitoring Checklist	Assesses the contractor’s timeliness in submitting program reports and financial invoices, progress with meeting contracted goals, compliance with financial requirements and identification of past or current issues or concerns.	Within 6 months of contract effective date
Fiscal Monitoring Checklist	Assesses the contractor’s compliance in several financial areas, including budget, personnel and program expenditures, invoices and accounting records.	By end of fiscal year

As the Contract Manager completes these documents, it provides a sense of the risk associated with the subrecipient contract, which then guides the Contract Manager in conducting any further necessary monitoring actions.

Chapter 6: Subrecipient Monitoring

Topic: Performance Management

Summary

The Contract Manager is responsible for reviewing the program reports, financial invoices and on-going email communication submitted by contractors. Program reports are typically submitted and reviewed on a quarterly basis and financial invoices are typically submitted and reviewed on a monthly basis. These reports show the extent to which the subrecipient is meeting its contractual goals and objectives and may be used to identify issues related to performance that require further consideration or action by the Contract Manager.

Contract Managers also maintain regular communication with contractors via email or phone regarding the program. This ongoing correspondence helps to ensure the Contractor Manager understands the scope of the program and its highlights, challenges and opportunities for improvement/growth. Refer to the “The Contract / Amendments” section of this manual concerning when an amendment is required and what approvals are necessary. The Contract Manager should keep written documentation of any program or financial changes made to the contract that deviate from the original contract.

Procedures & Key Information

The Contract Manager is responsible for the following:

- **Review program reports:** PHB requires contractors to submit reports on the progress and use of contracted funds. Typically these reports are submitted quarterly and show the outputs and outcomes achieved in the given time period, the program’s progress towards annual goals, highlights of the program, and challenges/problems encountered. The Contract Manager reviews the report to determine whether the contractor’s performance is meeting expected targets. Additionally, the report will flag any issues that need to be addressed, which may result in changes to the contracted scope of work or funded amounts. A sample program report can be found in Appendix K.
- **Review financial invoices:** PHB requires contractors to submit financial invoices to receive reimbursement for performed activities. Typically these invoices are submitted monthly and show the expended funds broken out by budget line items (e.g. personnel, operating costs.) Contractors will also include back-up documentation, such as a copy of a financial report, to support the expended amounts. The Contract Manager reviews the invoice to determine whether the contractor’s expenditures are in compliance with the contracted activities and amounts, and will flag any financial issues that need to be addressed. For additional detail, see the “Invoices (Requests for Payment)” chapter.
- **Monitor on-going correspondences:** The Contract Manager monitors correspondences received and sent to contractors regarding program performance and budget expenditures, including questions or requests that may be submitted by contractors throughout the fiscal year. Contract Managers should foster and maintain positive and open relationships with contractors to facilitate effective communication about issues and mutual problem-solving.
- **Document changes to contract:** The Contract Manager will maintain careful written documentation of contract changes, whether programmatic or financial. This includes saving copies of amendments, budget adjustments, and email correspondences that describe

the agreed upon change, any required approvals and any associated background information supporting the change. Paper files are maintained for contractors executed prior to June 30, 2012.

Chapter 6: Subrecipient Monitoring

Topic: On-Site Monitoring

Summary

PHB's policy is to monitor 25% of the bureau's subrecipient contractors each fiscal year. By and large, this results in a subrecipient monitoring of each contractor a minimum of once every four years. An on-site visit may also be required when a contractor is identified as being "high risk" based on one of the following factors:

- Had *findings* or *concerns* in the past
- Submitted incomplete or late reports, or missing reports
- Did not meet performance goals
- Experienced staffing changes
- Mismanaged funds or demonstrated other attributes of financial concern
- Other items that may indicate a need for monitoring

PHB prioritizes a consolidated approach to monitoring and encourages staff from program, financial and technical departments to work together to plan a single monitoring visit. This approach maximizes the time and staffing efficiencies for both contractor agencies and PHB.

Monitoring visits serve several important purposes that benefit both PHB and the subrecipient. The site visit allows for better recognition of a program's effectiveness and impact by giving the Contract Manager and PHB staff a deeper understanding of contracted activities. Monitoring visits also help identify any practices not allowed under the contract provisions and/or any procedures that need to be implemented that are not being performed. On-site monitoring includes program, financial and technical reviews performed by the Contract Manager and PHB fiscal and data staff. During the visit, the Contract Manager reviews the progress, policies and procedures related to the program and performance of the funded activities. PHB fiscal staff look at the organization's financial records related to the contracted activities and the general financial health of the organization, including timesheets, expenditures and other records.

At the conclusion of the visit, the Contract Manager prepares a written summary, usually in the form of a letter. The summary will: describe the areas monitored, indicate if any "concerns" or "findings" where found, and provide recommend and/or required actions for contractor follow-up.

Procedures & Key Information

Once a contractor has been identified for an on-site monitoring visit, the Contract Manager follows these steps to plan and conduct the visit. (Note: the PHB fiscal team has a separate procedure documented for the fiscal portion of subrecipient monitoring. It is located in the PHB Policy folder on the Network Drive at [K:\Operations\Portland Housing Bureau\PHB Forms and Policies\PHB Policies\Finance & Accounting\](#)).

- **Schedule a date/Send out confirmation letter** – The Contract Manager contacts the contractor to schedule a date that works for both parties. The Contract Manager then sends a written notice one month in advance of the visit date, which allows the contractor time to prepare for the visit and assemble the required staff members who need to attend. The average length of time for a visit is three to six hours, depending on the size of the

contracted programs and funded activities. A sample copy of an Introductory Letter can be found at Appendix G.

- **Compile list of requested program and financial documents to review** – The Contract Manager coordinates with PHB fiscal and data staff to assemble a list of requested documents for the monitoring visit. The number and type of documents to be reviewed depends on the funding source(s) of the program(s). It is advantageous for some items to be received and reviewed prior to the monitoring visit. Other items can be reviewed on-site at the time of the monitoring visit. The Contract Manager determines what materials and documents to request. The lists below provide examples:

Items to request and receive prior to visit:

- Copies of any policy and procedure documents that guide overall operations of agency's City-funded programs, including:
 - Admission criteria/program eligibility guidelines
 - Referral procedures
 - Policies and procedures regarding documentation of client services
 - How client feedback is incorporated into program development and operations
 - Any program-specific rules or policies communicated to clients, including: client rights and responsibilities, client termination or exclusion policies and procedures and/or client grievance policies and procedures
 - Any other program-specific policies and procedures
- Any written policies and procedures guiding general staff conduct and conditions of employment (e.g. employee handbook, code of conduct, etc.)
- Copies of current job descriptions for PHB-funded employees for the Senior Housing program

Items to request to be available on the day of the visit:

A sample of client files from the fiscal year

Oral description and/or written documentation for any procedures used by the organization to verify data quality and completeness of program data entry into Service Point.

Visual inspection of any non-disposable equipment purchased with City-funds (if applicable)

In addition to the above items, the PHB fiscal staff will include a set of documents to review at the time of the visit, including invoices, financial statements, financial policies and procedures, indirect cost allocation plan and chart of accounts documentation.

The Contract Manager will notify the subrecipient of the request about one to two weeks in advance of the actual visit in the form of an email and/or letter. A sample of an email requesting documents for a monitoring visit is included as Appendix H.

- **Conduct On-Site Visit** – The Contract Manager conducts the on-site monitoring visit with support from PHB fiscal and data staff as appropriate. At a minimum, the visit should include the following:
 - Welcome and introductions
 - Brief review of the plan for the monitoring visit
 - Review of client files
 - Review of progress reports
 - Review of program information and requested documents
 - Interview of key program staff
 - Visual inspection of program office(s)
 - Asking questions about the program and/or reporting
 - Closing of the monitoring visit

During the visit, the Contract Manager and PHB staff will talk with key program and financial staff to determine whether PHB funds are being used to carry out the contracted activities and outcomes. Additionally, PHB staff will review program and financial documents and processes to identify potential findings and concerns.

- *Findings* are defined as direct violations to applicable regulations or contract conditions, and require immediate action to correct.
 - *Concerns* are defined as issues that may pose challenges to performance and/or items that could be added to enhance performance of a particular program(s), in which recommended actions are provided.
- **Follow-up Letter** – Results of a monitoring visit are summarized and communicated to the Subrecipient in a letter. The Contract Manager drafts the letter with help from the other staff members who participated in the monitoring. The monitoring letter typically includes: acknowledgement of positive aspects of the program and/or agency, and description of findings or concerns, along with recommended or required action(s) and a timeline for completing the action(s). Following up on concerns and findings, including communication with appropriate management or fiscal staff, is the responsibility of the Contract Manager. A sample follow-up letter that includes both concerns and findings can be found in Appendix L.

If there were no findings or concerns identified, the Contract Manager can skip this step and the next step and proceed to the Closing Letter.

- **Work with contractor on response to monitoring visit** – The Contract Manager works with the Subrecipient to address any concerns or findings identified in the monitoring visit. The amount of time required to resolve the issue(s) will be based on several factors, including but not limited to: type of concern/finding, source of funding and severity of concern/finding.

- **Send closing letter** – Once all concerns and findings have been addressed or resolved, the Contract Manager prepares a final closing letter to summarize the completed Subrecipient monitoring. The letter will include a description of items covered at the monitoring visit, highlights and positive aspects of the monitoring, concerns and findings, actions taken and timeline for implementing changes (if action will occur in the future). A sample follow-up letter that includes both concerns and findings can be found in Appendix F.