

## **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 30<sup>th</sup> 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

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### 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](http://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](http://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.

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### **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.

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**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](http://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/](http://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.

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### 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 30<sup>th</sup>, 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 30<sup>th</sup>. 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.

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[www.portlandonline.com/phb/index.cfm?&c=58852](http://www.portlandonline.com/phb/index.cfm?&c=58852)

PHB submits the Consolidated Annual Performance and Evaluation Report (CAPER) to HUD annually by September 30<sup>th</sup>. 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 30<sup>th</sup> 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 30<sup>th</sup> 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/](http://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.