North Carolina
Department of Commerce
Division of Community Assistance

Beverly Eaves Perdue, Governor
J. Keith Crisco, Secretary

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BULLETIN: 10-14 (Replaces 91-3)

SUBJECT: Administrative Abuses of CDBG Grants By
                 Private Consultants

DATE REVISED: September 13, 2010

ATTENTION: All CDBG Recipients

This bulletin is issued to reiterate how important it is for recipients to closely manage contracts for program administration. Recipients are ultimately responsible for all aspects of program implementation, general and financial administration and compliance.

At a minimum, the grantee should ensure that the following guidelines are followed by grantee that is participating in the Community Development Block Grant (CDBG) program.

1) Contracts should tie payments to unit accomplishments and/or rates/hour with documentation on the time spent on project activities. Payment for administrative services should be proportionate to the service delivered and grantees should not exhaust all administrative funds until the grant is prepared for closeout.

2) Grantees are to have consultants include the cost of miscellaneous office expenses, utilities, supplies and other "overhead" as part of the proposed cost of billable units, or the rate for billable hours.

3) Written approval from the Division of Community Assistance (DCA) is required prior to the purchase of equipment for use either by the recipient or by third party consultants.

4) Written reports on the progress of grant activities are required to be submitted to the Governing Board and DCA on at least a quarterly basis. The report must include at a minimum:

a) List of all project activities
b) Total expenditures and expenditures for the last quarter, by activity
c) Units accomplished by activity
d) Brief description of work in progress
e) Information on problems that
   1. are/will delay project progress
   2. exceed estimated costs by more than 20%
   3. other issues of interest to the grantee

Grantee must ensure compliance with the following:

1) Cost Allocation Plan

   a) OMB Circular A-87, Cost Principles for State and Local Governments, (J) (1) states that a plan for allocation of cost will be required to support the distribution of any joint cost related to the grant program. All costs included in the plan will be supported by formal accounting records which will substantiate the propriety of the charges.

   b) Federal regulation 24 CFR 85.22(a) specifies that grant funds may be used only for:
      1) The allowable costs of the grantees, sub-grantees and cost-type contractors, including allowable costs in the form of payments to fixed-price contractors; and

      2) Reasonable fees or profit to cost-type contractors but not any fee or profit (or other increment above allowable costs) to the grantee or sub-grantee.

2. Effective Control and Accountability

   a) In accordance with Federal Regulation 24 CFR 85.20 (b) (3), effective control and accountability must be maintained for all grant and sub-grant cash, real and personal property, and other assets. Grantees and sub-grantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes. ···---

   b) Items purchased with CDBG funds for the CDBG program are the property of the recipient and should be located on-site. CDBG regulation .0909 (3) (f) states a control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft of nonexpendable property shall be investigated and fully documented.

3. Procurement

   a) Recipients must acquire prior approval from DCA to purchase equipment in accordance with OMB Circular 87, (C) (3). Recipients must follow procurement procedures as specified in 24 CFR 85.36 and OMB Circular A-102 for purchases made with CDBG funds.
   b) In accordance with 24 CFR 85.36(C) (1) all procurement transactions will be conducted in a manner providing full and open competition.
   c) If small purchase procurement procedures are used, price or rate quotations will be obtained from an adequate number of qualified sources. (See 24 CFR 85.36 (4) (d).)
   d) Additional procurement requirements may be contained in the application guidelines.

4.   Supervision of Professional Services

   If a locality selects one consulting firm to provide more than one set of services, the locality must ensure that the firm is not acting for the locality in evaluating its own performance in delivering/providing the services. The locality must insure that each set of services provided by a single firm is supervised by either an official or staff person of the local government or by another consulting firm so that a conflict of interest with the provider is avoided (See CDBG Bulletins 10-5, 10-6, 10-8 and 10-10 for additional guidance).

5.   Duties of Finance Officer

   In accordance with G.S. 159.25(b), all checks drawn on an official depository shall have dual signatures and G.S. 159-28(d) requires a certificate on the face of each check signed by the finance officer that the disbursement has been approved as required by the Local Government Budget and Fiscal Control Act.

6.   Housing Rehabilitation

   Rehabilitation activities must be completed in accordance with work write-ups that accurately reflect the cost of each work item. The property inspection, work write-up and bid request should occur within 90 days, with contract award and notice to proceed to the contractor within an additional 90 days, to insure accuracy.

7.   Program Recordkeeping

   CDBG recipients are required to maintain adequate program records (at town, city, county offices) to provide citizens with information on the project and to document compliance with the CDBG program requirements in accordance with North Carolina CDBG Regulations 4 NCAC 19L, Section .1002 and as noted in Bulletin 10-5, issued September 1, 2010.

Please address any questions or need for additional information to your grant Program Representative.

ISSUED BY: _____   09 – 13 – 10
                   Gloria Nance-Sims, Director   Date