



**Mayor's Office of Housing and
Community Development
OPERATING PROCEDURES
MANUAL FOR GRANTEES**

Program Year 2016-2017

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CHAPTER I. INTRODUCTION

The mission of the Community Development division at MOHCD is to partner with the community to strengthen the social, physical and economic infrastructure of San Francisco's low-income neighborhoods and communities in need. MOHCD has been designated as the city agency to administer the U.S. Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG) program the Emergency Solutions Grant (ESG) program and the Housing Opportunities for Persons with AIDS (HOPWA) program. The Community Development division administers the following programs:

- The Community Development Block Grant (CDBG) program, a multi-million dollar federal program focused on low- and moderate-income communities. The primary objective of the CDBG program is the development of viable urban communities, by providing decent housing and suitable living environment and expanding economic development opportunities principally for persons of low- and moderate-income.
- The Emergency Solutions Grant (ESG) program, part of the federal McKinney-Vento Homeless Assistance Act funds. The ESG program is designed to be the first step in a continuum of assistance to prevent homelessness and to enable homeless individuals and families to move toward independent living.
- The Housing Opportunities for Persons with AIDS (HOPWA) program. The HOPWA program is dedicated to meeting the housing needs, and related service needs, of people living with HIV/AIDS.
- A wide variety of city General Fund grants focused on community development issues and services to low-moderate income residents
- Housing Trust Fund grants focused on eviction prevention, housing stability, and access to housing issues

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

Non-profit organizations receiving grant awards from MOHCD are required to establish and maintain internal controls designed to ensure compliance with federal (including HUD), state and local laws, regulations and program requirements. This manual provides general information on procedures as well as the minimum requirements for establishing internal

financial and program controls to effectively operate and manage program activities. Grantees should review the full Grant Agreement and consult with the assigned MOHCD Grant Coordinator if they have any questions or concerns about anything related to their grant. If grantees have any questions of a legal nature, they should consult their attorney.

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

- OMB Guidance: *Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Super Circular)* **

** Located in Title 2 of the Code of Federal Regulations

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

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

CHAPTER II. PROGRAM MANAGEMENT

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

Upon recommendation for funding, grantees will negotiate their annual Work Plan (including Activities and Outcomes, Budget, Neighborhood, and Narrative sections) with MOHCD for the upcoming program year. This negotiation process will be done via MOHCD'S online Grant Management System (GMS).

Once MOHCD approves the Work Plan, grantees will enter into a Grant Agreement to deliver the agreed upon programs and services. The negotiated Work Plan (including budget) will then be reflected on the GMS online reporting system. Grantees will report to MOHCD on a monthly basis, unless as otherwise described in this manual. Specific program areas may have additional reporting requirements as mandated by MOHCD that may include the tracking of additional data separately from Grant Management System.

A. WORK PLAN

1. Work Plan Definition

The work plan is an outline of the major components of a project to support successful delivery of services to individuals. It details projected **Activities and Outcomes** of the program (including annual numerical goals), along with the projected number of unduplicated clients served per **Neighborhood**. Grantees provide a detailed line-item **Budget**, and brief **Narrative** descriptions of key program elements. Grantees also provide their project contact information when setting up the Workplan.

2. Activities and Outcomes

The basic deliverables for the project are captured in the Activities and Outcomes section. There are two types of Activities: Client Activities and Outcomes, and Non-Client Activities. Client Activities and Outcomes are those which are linked to a specific client (people for Public Services and some Planning grants, Nonprofits for other Planning grants. Activities are the services provided (for example: "Clients at risk of eviction are provided with full legal representation.") Outcomes are the result of that service ("Clients avoid eviction and are able to remain in their current unit."). Each program area has a defined set of activities and outcomes, and each activity has required outcomes associated with it.

Non-Client Activities are those which track deliverables other than individual clients or specific nonprofits served. Some examples include: number of meetings held or outreach events held, number of staff attending training, or a final plan produced. Depending on the unit being measured, the grantee may be reporting on a numerical goal (number of meetings held) or a completion date (the date by which the final report is completed).

3. Neighborhood Information

The Neighborhood section of the work plan requires a single figure reflecting the total number of unduplicated clients served by the project. This number cannot be less than the largest number of clients served by a single activity, or more than the sum of all the activity numbers. It will usually be somewhere in the middle, depending on how many clients are duplicated between the different activities.

This total unduplicated number then needs to be broken down into numbers per neighborhood (for example, how many clients are projected to be from Bayview Hunters Point or the Mission).

4. Narrative

For most program area there are four narrative sections:

- Q1. Describe the clients this project will serve, along with the needs they have and challenges they face.
- Q2. Describe project design and implementation, including how the project addresses the needs described above.
- Q3. Describe the desired results of this project, at a client and/or community level, and how effectiveness in achieving these results will be measured and evaluated.
- Q4. Describe key staff involved in this project, their roles, and their qualifications.

For Capital, Housing Development, and Public Space Improvement projects, only the staff narrative response is required.

5. Deviation from Work Plan and Program Progress

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

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

6. Nondiscrimination in Provision of Services

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

If a subrecipient is serving one race or ethnic group exclusively or almost exclusively, MOHCD will require a justifiable rationale for such exclusivity. An example of a justifiable rationale might be a program targeting monolingual immigrants, wherein the language in which the program is offered is closely linked to the racial/ethnic makeup of the clientele. In those cases in which MOHCD is unable to determine a justifiable rationale, funded agencies or subrecipients will be required to create an approved outreach plan to publicize their services to underrepresented populations. Such an outreach plan might include the distribution of fliers to other organizations and communities that are specifically absent from the subrecipient's current client population; subrecipient outreach at community events that target underrepresented populations; electronic distribution of materials to other MOHCD or OEWD-funded subrecipients that target diverse constituencies; and/or listing of programs being offered by the subrecipient in community newspapers, newsletters or other community listings.

B. PROJECT BUDGET

1. Definitions and Eligible/Ineligible Costs

The Project Budget is the projected expenditure schedule for the term of the Grant Agreement. The annual project budget will be approved by MOHCD during the grant negotiation process. Grant Agreements cannot be effectuated or implemented without an approved budget.

Project and Organization Staffing

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

Subcontracts and Equipment Purchase

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

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

Contractual services and equipment purchases under \$3,000 do not require prior approval from MOHCD and do not require submission of a Form H.

Travel Costs

For the City and County of San Francisco, local commuting area is defined as within the nine Bay Area counties of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma.

For travel outside of the Bay Area, grantees must submit a letter of request to their Grant Coordinator for approval before budget allocations to the travel line item are approved and prior to making travel arrangements. This letter must identify the specific purpose and rationale for the travel, the staff members traveling, and a detailed travel budget.

Space Rental/Occupancy Costs

If the organization will be using grant funds to pay for space rental, they must submit a copy of the lease agreement to their assigned Grant Coordinator and verification of property insurance as described below. If the organization wishes to use grant funds to pay for mortgage payments, they should contact their Grant Coordinator for further requirements.

Insurance

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

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

- a. Workers' Compensation insurance of statutory limits, including Employers' Liability coverage with limits not less than \$1,000,000 each accident; If Grantee is expected to perform services on City premises the Workers' Compensation policy(ies) shall be endorsed with a waiver of subrogation in favor of the City for all work performed by the Grantee, its employees, agents and subcontractors.
- b. Comprehensive General Liability insurance with limits not less than \$1,000,000 each occurrence and \$2,000,000 general aggregate for Bodily Injury and Property Damage, including coverage for Contractual Liability, Independent Contractors, Broad form Property Damage, Products and Completed Operations. The City and County of San Francisco must be named as an additional insured in these policies, and this must be indicated on the certificate;
- c. Comprehensive Automobile Liability insurance with limits not less than \$1,000,000 each occurrence "Combined Single Limit" for Bodily Injury and Property Damage, including

coverage for owned, non-owned and hired vehicles. The City and County of San Francisco must be named as an additional insured in these policies, and this must be indicated on the certificate;

- d. Property insurance covering all real property leased or owned that has been purchased, constructed, improved or rehabilitated in whole or in part with CDBG or ESG funds, in a form appropriate for the nature of such property, covering all risks of loss, excluding earthquake and flood, for 100% of the reconstruction value (brought up to current codes), with deductible, if any, acceptable to the City, and naming the City as loss payee, as its interest may appear, except that if the Corporation leases real property such coverage with respect to the leased property may be provided by the owner or landlord;
- e. Professional Liability (errors and omissions) insurance with limits not less than \$1,000,000 each occurrence, covering architectural, engineering, design, technical or professional services, as appropriate, with respect to any subcontract for or any donation of professional services, for the term of the applicable construction contract.

IMPORTANT CHANGES FOR 2016-17

In order to clearly comply with 2 CFR 200, the Office of Management and Budget's Uniform Guidance for federal funds, we are no longer adhering to an administrative cap, but instead are separating all costs into either *Direct Costs* or *Indirect Costs*.

Direct Costs

Direct costs are those costs that can be identified specifically with a particular program or that can be directly allocated to the program relatively easily with a high degree of accuracy. In addition to traditional program costs, some expenses that your organization considers administrative may in fact be direct costs. For example, salaries of administrative and clerical staff can be budgeted as direct costs as long as the administrative or clerical services are integral to a program and the individuals involved can be specifically identified with the program. Non-personnel administrative costs can also be charged as direct costs provided that the method of allocating to programs is accurate and reasonable.

For the purposes of developing a budget, all budget line items except for indirect cost are considered direct costs. As such, each line item must be specifically identified (with high degree of accuracy) with a particular activity that supports the funded program.

Indirect Costs

Indirect costs are those costs that cannot be readily identified with a particular program. They are expenses of a general nature which do not relate solely to any particular program.

Examples of indirect costs include accounting and legal services, utilities (internet/ phone/ water/ power), office supplies, and general training as these expenses are typically harder to allocate to specific program with a high degree of accuracy.

Grantees with a federally-approved indirect cost rate should submit documentation of the approved rate to MOHCD.

For grantees without a federally-approved indirect cost rate, the maximum allowed indirect cost rate is 10% of Modified Total Direct Costs (MTDC). MTDC excludes equipment, capital expenditures, rental costs, charges for patient care, tuition reimbursement, scholarships and fellowships, and participant support costs. To calculate the MTDC, the excluded costs will be subtracted from the direct costs, and then 10% of that modified amount will be allowed for indirect costs. MOHCD will provide a tool for calculating your allowable indirect cost based on MTDC.

Ineligible Costs for Federal Funds

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

- a. Advertising *not* associated with personnel recruitment, procurement of goods and services, and disposal of surplus property;
- b. Costs incurred by advisory councils or committees unless specifically authorized by HUD;
- c. Costs of alcoholic beverages;
- d. Bad debts and/or any losses arising from un-collectible accounts;
- e. Contributions and donations, including cash, property and services made by organization regardless of recipient;
- f. Donations to a contingency reserve or unforeseen events;
- g. Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities);
- h. Costs of organized fundraising;
- i. Fines and penalties resulting from violations or failure to comply with laws and regulations;
- j. Membership expenses in lobbying organizations;
- k. Interest and other financial costs;
- l. Personal items;
- m. Legal fees;
- n. Costs associated with out-of-county air/ground travel, equipment and subcontracts that were incurred prior to obtaining written approval from MOHCD

For a complete description of eligible and ineligible costs, please see OMB Guidance: *Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Super Circular)*.

Ineligible Costs for CDBG

- a. Stipends or subsistence-type grant payments.
- b. Political activities
- c. Ongoing grants or non-emergency payments (defined as more than 3 consecutive months) to individuals for their food, clothing, rent, utilities or other income payments.

Matching Grants and In-Kind Contributions

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

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

2. Reimbursement of Expenses

Grants are awarded on a cost reimbursement system. Agencies must submit a monthly program and cost report through the Grants Management system and MOHCD will reimburse grantees for budgeted program expenses. Reports must be submitted monthly. Program and client data must be reported as a condition of reimbursement.

At the discretion of the grant coordinator, copies of the monthly payroll register and quarterly payroll tax report (DE6 and 941) must be submitted by e-mail, fax or mail (postmarked by the 15th of each month) at the time of submission of online reimbursement request. If a grant coordinator does not require monthly submission, documents must be maintained and made available for review at any site visit. The payroll register must identify MOHCD funded employees. All confidential information on the payroll register can be blocked out to ensure privacy. HUD has requested that agencies submit this information since the salary line item constitutes the majority of the CDBG allocation to the agencies.

The three-step process for reimbursement is as follows:

- 1) Grantee submits accurate and completed cost and program reports authorized by the Agency's Administrator to MOHCD within 15 days of the close of the reporting month for all others;
- 2) MOHCD reviews these documents for eligibility, performance, appropriateness and compliance;
- 3) The City makes ACH (Automated Clearing House) payments or electronic transfer of funds to the Agency's bank account through Paymode (the City's preferred third-party payment service). MOHCD verifies the remittance address on the Agency's invoice to that of the City's Vendor File to ensure the right Agency is paid.

MOHCD requires electronic payments to be set up between the agency and the City as this provides a much more efficient way of receiving payment. Instructions for setting up this service can be found at <http://www.sfcontroller.org/index.aspx?page=85>.

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

When necessary, MOHCD will request additional information to confirm compliance with HUD regulations. Any *questioned costs* must be resolved within 90 days or it will be nullified and the questioned amount deducted from future payments. For a complete description of eligible and ineligible costs, please see OMB Guidance: *Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Super Circular)*.

3. Budget Revision

After initial approval, any budget revision requires a written explanation for the revision and requires MOHCD approval. There is a limit of two budget revisions during the grant agreement period.

There are two deadlines for budget revisions, depending on the scope of the revision. “Substantive” (or major) budget revision requests are due to MOHCD 75 days before the end of the grant period (e.g. by April 15 for grants ending June 30). If any of these items apply to the request, it is considered Substantive:

- Any shift greater than 10% of the total grant amount
- Any new budget line items
- Any shift from employee to contractor expenditures
- Any equipment purchase

Please note that Form H for equipment and consultants/contractors must be submitted along with the budget revision request as applicable.

If none of the bullets above apply, a budget revision may be considered “Minor” with a later submission deadline.

Any unallocated funds remaining at the end of the contract will be maintained by MOHCD.

4. Program Income

“Program Income” shall mean gross income earned by Grantee from CDBG-supported, ESG-supported and HOPWA-supported activities, including but not limited to service fees, proceeds from the sale of commodities and real or personal property, usage and rental fees, payments of principal and interest on loans to eligible recipients and the repayment of deferred payment loans. For projects that include construction, “Program Income” means all gross income from the use or rental of real property that was constructed or improved by funds granted under the Grant Agreement, less costs incidental to generation of such income. To the extent such construction or improvement is assisted with funds other than those granted under the Grant Agreement, “Program Income” shall be adjusted to reflect the percentage of funds granted under this Agreement as compared to the total construction or improvement costs for the project

Program Income generated prior to the disbursement of the entire Grant Amount shall be retained by Grantee and expended against operating costs or improvement items identified in the Project Budget, or against additional operating costs or improvement items that are approved in

writing by MOHCD/OEWD. Program Income shall be substantially disbursed for eligible activities before additional cash disbursements may be requested under the Grant Agreement. The amount of the Grant Amount to be disbursed to Grantee may be reduced to the extent MOHCD/OEWD reasonably determines Program Income is available to pay for items listed in the Project Budget.

Program Income earned after the disbursement of the entire Grant Amount but before expiration of the term of this Agreement shall be expended for eligible activities only and upon the prior written approval of MOHCD/OEWD.

Upon expiration of the later of the Tenure Period, as defined in Section 3.03, of the Grant Agreement; (ii) the term of the Grant Agreement (for Work Programs that do not include construction); and (iii) the tenure period of any other CDBG-funded, ESG-funded or HOPWA-funded agreement between City and Grantee, or if such other agreement does not have a tenure period then upon its expiration, Grantee shall return to City any unexpended Program Income from the Work Program or from any other CDBG-funded, ESG-funded or HOPWA-funded activity.

5. Contract Closeout

Grantees have a maximum of 30 calendar days from the termination date of the Grant Agreement to submit final cost and program reports for reimbursement. Only those costs incurred during the term of the Grant Agreement and allocated in the original program budget or authorized budget revision are eligible for reimbursement. After the 30 days following the grant period, the grant will be reduced by the amount of the unexpended funds. The City and County of San Francisco does not need a grantee's approval to modify the contract to close out unexpended balances.

6. Audits

If a grantee expended the threshold amount (\$750,000 for fiscal years beginning on or after January 1, 2015; \$500,000 for fiscal years beginning before January 1, 2015) or more in federal funds from all sources (including grants, loans, program income, etc.) in its previous fiscal year, the organization must submit a copy of an independent audit completed within nine months following the end of the organization's fiscal year. This audit should meet the **Uniform Guidance** (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards). If the grantee expended less than the threshold amount in federal funds, the organization should provide a letter stating that they spent less than this amount of federal funds during the fiscal year, along with a copy of their most recent audit (not subject to the more stringent Uniformed Guidance standards). Agencies that have an overall agency budget of less than \$250,000 may be exempted from the audit requirement. MOHCD reserves the right to conduct a fiscal site visit or require alternate documents demonstrating sound financial controls in the absence of an audit.

Commented [RC1]: Increase threshold in proportion got HUD threshold limit?

CHAPTER III. INTERNAL CONTROLS FOR ACCOUNTING AND RECORD KEEPING

A. CLIENT/PROGRAM & FINANCIAL RECORDS

MOHCD is responsible for assessing the grantee's compliance with programmatic requirements, along with the Fiscal and Compliance requirements of the city and any federal funding sources, and will take appropriate action if compliance issues emerge.

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

B. CLIENT/PROJECT RECORDS OVERVIEW

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

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

C. FINANCIAL RECORDS OVERVIEW

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

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

D. CASH DISBURSEMENTS

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

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

E. ACCOUNTS PAYABLE

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

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

F. PETTY CASH

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

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

G. CASH RECEIPTS

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

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

H. PAYROLL

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

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

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

All employees funded by City contracts must meet the Minimum Compensation Ordinance requirements of San Francisco. Please refer to the Office of Labor Standards Enforcement for more information (<http://sfgsa.org/index.aspx?page=391>).

I. INVENTORY OF FIXED ASSETS

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

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

CHAPTER IV. PROCUREMENT & CONTRACTUAL SERVICES

A. OVERVIEW

Organizations that pay a vendor for equipment, supplies purchase or a non-employee for services involved in completing terms of the Grant Agreement are entering into a procurement or subcontract agreement. Significant portions of these agreements involve regulatory compliance. Subcontracts and purchases of \$3,000 or more require prior written approval from MOHCD or OEWD. Before making equipment or supplies purchase or before entering into a subcontract agreement of \$3,000 or more, grantees must read this chapter carefully and look over Form H: Request for Approval of Subcontract and Equipment Purchase. No equipment or supplies purchase or subcontract expenditures of a \$3,000 or more will be reimbursed by MOHCD unless there is an approved Form H with the required documentation. In addition to these specific requirements, grantees shall maintain internal controls on the procurement of goods and services. At a minimum, the organization's internal procedures must include the following:

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

7. Responsible contractors that are properly licensed and insured and who will comply with applicable laws and regulations;
8. Assurance that the contractor fulfills the terms of the contract before payments are made;
9. Records for purchases of \$110,000 or more must include: 1) basis of contractor selection and justification for lack of competition when competitive bids are not obtained; 2) copies of newspaper advertisement and description of outreach efforts made to publicize bidding opportunity; 3) copies of three lowest bids; and 4) if applicable, explanation of rejection or withdrawal of lowest bid;
10. Records for purchases between \$3,000 and \$110,000 must include: 1) basis of contractor selection; 2) justification for lack of competition, where appropriate; 3) basis for award;
11. Avoidance of awarding any contract or subcontract with a suspended or debarred party;
12. Require certificates from entities receiving sub-awards (contracts and subcontracts) over \$110,000 certifying that the company and its principals are not suspended or debarred;
13. Use of pre-qualified lists of vendors or contractors that are current, developed through open solicitation, include adequate numbers of qualified sources, and allow entry of other firms to qualify at any time during the solicitation period;
14. Exclusion of contractors that develop or draft specifications, requirements, statement of work, invitations for bids and/or requests for proposals from the competition in order to eliminate unfair competitive advantage;
15. Use of "time and material" type contracts instead of "cost plus a percentage of cost" pricing;
16. Protest procedures for subcontractors and vendors to handle and resolve disputes relating to their procurement, and report all such instances to MOHCD;
17. A documented system of contract administration for determining the adequacy of contractor performance;
18. Verification that the contractor and/or subcontractor complies with, and agrees to, all applicable HUD and City requirements as forth in the Grant Agreement.

B. REQUIRED SUBCONTRACTING PROVISIONS

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

C. FEDERAL PREVAILING WAGES IN CONSTRUCTION CONTRACTS (DAVIS-BACON)

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

CHAPTER V. MONITORING

MOHCD monitors all grants, regardless of funding source, for program programmatic and fiscal compliance. HUD also specifically requires MOHCD to monitor grantees receiving federal funds to ensure adequacy and compliance with all applicable regulations. The grantee's performance and organizational sustainability are key factors in determining the continuation and/or renewal of the Grant Agreement.

A. REPORTS

All grantees must submit monthly program and cost reports, every month, by the 15th of the following month (for example, the report for July must be submitted by August 15th). In limited circumstances, grantees may negotiate a different reporting schedule with their assigned Grant Coordinator (for instance, if their fiscal team closes the organization's books after the 15th of the month). MOHCD will only reimburse expenses upon receipt of a complete monthly report (including current Activities and Outcome information for both Client Activities and Outcomes and Non-Client Activities, expenses, and narrative responses). Incomplete or late reports will cause delays in reimbursement. Failure to comply with reporting requirements is a violation of the Grant Agreement.

B. REVIEW/SITE VISITS

MOHCD staff will conduct regular monitoring of grantees to ensure compliance with local and federal requirements. This includes both Program Monitoring, to review client documentation and eligibility, along with program performance, and Fiscal and Compliance Monitoring. If a grantee receives funding from multiple City departments, the agency may be a part of the City's Joint Fiscal and Compliance Monitoring process. This means that all City funders would monitor the grantee's fiscal management and compliance systems at the same time either through a site visit or a self-assessment. Grantees will be informed by their MOHCD Grant Coordinator what type of review they will receive.

Grantees with compliance violations, poor fiscal documentation and/or poor program performance will receive a follow up letter outlining recommended corrective actions and a timeline for implementing changes. Grantees may be put on probation if corrective action is deemed feasible to eradicate the violation(s). In instances of serious violation, or where corrective action was not met, grantees may be suspended; no financial reimbursements will be processed during the suspension period. Grant agreements may be terminated when corrective actions are not addressed within the prescribed period (For further detail, review Article Fourteen of the Grant Agreement).

C. JOINT ACCOUNTABILITY

During the program year, the MOHCD Grant Coordinator will work with their assigned organizations to ensure that they are meeting program goals and objectives and MOHCD

expectations. The Grant Coordinator will review performance and check that grantees are meeting monthly or quarterly deadlines.

The Grant Coordinator will review the following items:

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

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

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

Step 2: If the Grant Coordinator sees that the issues raised have not been addressed within the expected timeframe, MOHCD will follow the City and County of San Francisco Nonprofit Contractor Corrective Action Policy as described below. MOHCD strongly encourages grantees and Grant Coordinators to have constant communication so issues are addressed in a timely manner. Grantees should inform their Grant Coordinators of any technical assistance needs to successfully execute their work plan.

D. CITY AND COUNTY OF SAN FRANCISCO NONPROFIT CONTRACTOR CORRECTIVE ACTION POLICY

Definition - Corrective action by City departments is required when a nonprofit has failed to demonstrate compliance with performance/ monitoring standards laid out in the scope of work included in the agreement between MOHCD and nonprofit service provider. This includes the inability to provide requested documentation within a required timeframe. A clear corrective action process is necessary to ensure nonprofit accountability, compliance with state and federal funding sources, and regular service delivery for San Francisco residents.

Documentation – MOHCD will document all monitoring activities in writing to the nonprofit service provider, including when a monitoring assessment is conducted and no findings are identified. MOHCD will document the need for corrective action on program, fiscal, or compliance concerns in writing to the nonprofit service provider. This documentation will take place within six weeks of the monitoring assessment and will include a letter which lists monitoring findings, states the corrective action needed, and sets a one month deadline for

required response from the nonprofit. The nonprofit need not necessarily remedy all issues identified within one month, but the nonprofit must respond with a corrective action plan deemed reasonable by MOHCD within that timeframe. This corrective action plan must also include a timeline for full implementation that MOHCD deems reasonable.

Verification of compliance - Once received, MOHCD staff will review the nonprofit's corrective action plan and any other associated documentation to verify that the stated actions have/ will result in solving the identified problems in a reasonable timeframe. Within one month of receiving the nonprofit's corrective action plan, if MOHCD is satisfied with the corrective action plan, MOHCD will notify the nonprofit in writing that the nonprofit is now in compliance so long as the corrective action plan is implemented as prescribed. MOHCD will take responsibility for any needed monitoring of the implementation of the corrective action plan.

Dialogue with nonprofit - MOHCD will hold meetings and dialogue with the nonprofit's leadership, including executive committees of boards of directors, as needed and appropriate to help make progress towards corrective action.

Technical assistance - MOHCD will consider whether technical assistance is appropriate in assisting the provider to come into compliance. For fiscal and compliance technical assistance, contact the Citywide Nonprofit Monitoring and Capacity Building Program facilitated by the Controller's Office.

Nonprofits funded by more than one City department - For nonprofits that are funded by more than one City department and are part of the City-wide monitoring shared monitoring pool, City departments will follow the standard corrective action policies and procedures laid out in the Controller's Citywide Fiscal and Compliance Monitoring Guidelines:
<http://www.sfcontroller.org/index.aspx?page=792>.

Late response to corrective action - If a nonprofit is late in responding to a monitoring report letter from MOHCD, MOHCD will follow up via phone, document this in a follow up letter, and set a new deadline of ten business days for response. If a response is still not received in this timeline, a warning letter will be sent stating that the nonprofit will be placed on elevated concern status unless there is a response within ten additional days. If a response is still not received, the nonprofit will be given "elevated concern" status.

Unsatisfactory response to corrective action - Once received, if MOHCD is not satisfied with the nonprofit's corrective action plan, as soon as possible and within one month, MOHCD will write a letter to the nonprofit to address these concerns and provide a reasonable timeframe of ten business days to one month for the nonprofit to amend and resubmit the plan. However, if MOHCD is still not satisfied with the nonprofit's response, MOHCD will notify the nonprofit within ten business days and place the nonprofit on the department's elevated concern list.

Noncompliance with corrective action - If the nonprofit does not comply with their corrective action plan without providing in advance a written explanation deemed reasonable by MOHCD, MOHCD will place the nonprofit on the elevated concern list.

1. Elevated Concern Status - Designation

Definition - Elevated concern is a status designated by MOHCD to a nonprofit when the nonprofit has not successfully completed the standard correction action process (section II above). Elevated concern status occurs when, in a timely fashion, the nonprofit has not:

- Responded to MOHCD's request for corrective action
- Provided a corrective action plan that is acceptable to MOHCD
- Complied with the implementation of their corrective action plan

Responsibility - In instances of multi-department funding, the City will designate a lead that will be responsible for coordination and information sharing with other department funders. City departments will issue letters and hold meetings jointly.

Documentation - Once a nonprofit is designated as being of elevated concern, MOHCD will notify the nonprofit of this in writing as well as the process for removal from this status. The nonprofit will be notified that they will be less competitive for new grants or contracts from MOHCD until they are again in compliance, and may not meet the minimum qualifications for new grants or contracts until they are in compliance on all standard fiscal and compliance corrective action elements. The nonprofit's executive committee of the board of directors will be copied on the communication.

De-designation - The nonprofit will remain on elevated concern status until the nonprofit has provided a satisfactory corrective action plan and fully implemented it, or partially implemented the plan to the satisfaction of the MOHCD or the City Department(s) in question. MOHCD will make a written response to the nonprofit within one month when a nonprofit re/ submits a corrective action plan and/or updates on implementation progress. MOHCD's response must include either a de-designation of elevated concern status or a clear road map as to the steps the nonprofit needs to take so that MOHCD will remove the status. MOHCD will continue to dialogue with the nonprofit leadership, including the board of directors, to make progress on corrective action and will consider technical assistance, as appropriate.

2. Red Flag Status - Designation

Definition - Red flag status occurs when a nonprofit is a critical service provider at imminent risk of being unable to perform services per their agreement, or unable or unwilling to engage in required corrective action. Red flag status can occur regardless of whether or not a nonprofit already has elevated concern status. A nonprofit is a critical service provider when it is the only or one of the only nonprofits that provide a critical service/ level of services in the City, has a critical and unique cultural competency, and/or has important licenses or facilities that are otherwise difficult to attain.

The following issues can lead to red flag status:

- Cash flow inadequate to ensure successful delivery of services

- Invoicing consistently and significantly inaccurate and/ or late
- Inability to produce basic financial documents such as an audit, global budget, cost allocation plan, balance sheet, profit and loss statement, subcontract documentation
- Payroll tax forms not submitted for more than one quarter
- Significantly low units of service; far below needed outcome/ output measurements
- Executive Director or CFO turnover resulting in governance and management problems
- Critical safety and legal concerns
- Licensing or facilities problems threatening continued delivery of service
- State/ federal investigations or serious audit results
- Proven, recent cases of fraud or discrimination
- Significant unresolved client complaints

Responsibility - A City department/ division head indicates when red flag status is appropriate and is responsible for associated decision-making and coordination. In instances of multi-department funding, the City will designate a lead that will be responsible for coordination and information sharing with other department funders. City departments will issue letters and hold meetings jointly.

Documentation - When MOHCD designates a nonprofit with red flag status, the nonprofit will be informed in writing all issues, specific requested corrective actions required, and the deadline for completion of each action item. MOHCD's letter will also lay out funding consequences for noncompliance with the requested actions. The nonprofit's executive committee of the board of directors will be copied on the communication and given an opportunity to contest the designation if they disagree with the factual basis for the department's determination that red flag status is warranted.

De-designation - The nonprofit will remain on the red flag status list until the nonprofit has fully implemented the requested corrective action, or partially implemented corrective action to the satisfaction of the City department(s) in question. MOHCD will make a written response to the nonprofit within one month when a nonprofit sends a letter demonstrating their implementation of corrective action. MOHCD's response will include either a de-designation of red flag status or a clear road map as to the steps the nonprofit still needs to take so that MOHCD will remove the status. MOHCD will continue to dialogue with the nonprofit leadership, including the board of directors, to make progress on the implementation of corrective action and will consider technical assistance, as appropriate.

De-funding - De-funding is a possible ultimate sanction for nonprofits that are out of compliance with MOHCD's grant conditions and on the red flag status list, at the discretion of the department/ division head. MOHCD will allow the nonprofit to present any evidence of their compliance if the nonprofit contends that the department's underlying determination of deficiencies is erroneous.

3. Elevated Concern and Red Flag Status – Department Responsibilities

Identification of alternative service providers – MOHCD will identify appropriate alternative service providers immediately upon designation of a nonprofit to either elevated concern or red

flag status. If existing agreements or pre-qualified nonprofits cannot accommodate the service delivery need, MOHCD may undertake a solicitation process to procure needed services.

Dialogue with nonprofit leadership - MOHCD will hold meetings and dialogue with the nonprofit's leadership, including the executive committee of the board of directors, as needed and appropriate to help make progress on corrective action. The department will also provide the nonprofit's leadership with a reasonable opportunity to respond to the department's determination that serious deficiencies exist which warrant implementation of a corrective action plan.

Technical assistance - MOHCD will consider, on a case-by-case basis, whether technical assistance is appropriate and necessary in assisting the provider to come into compliance. For guidance, tools, and resources on fiscal, governance, and compliance technical assistance (regardless of whether the nonprofit is funded by multiple City departments or just one), contact the Citywide Nonprofit Monitoring and Capacity Building Program facilitated by the Controller's Office.

Elevated concern and red flag list – MOHCD will keep an ongoing list of those nonprofits with elevated concern and red flag status and the reason(s) why, as well as regularly notify the Citizen's Committee on Community Development. MOHCD will also provide these lists to the Controller's Office on a quarterly basis, and the Controller's Office will distribute a consolidated list citywide, including the Mayor's Budget Office and Board of Supervisors.

Funding limitations – MOHCD will not renew or provide additional funds to a nonprofit with red flag or elevated concern status that is due to fiscal or compliance concerns (the monitoring elements in the citywide nonprofit monitoring form <http://www.sfcontroller.org/Modules/ShowDocument.aspx?documentid=1368>). Note that nonprofits on the list strictly due to programmatic reasons are still eligible to apply for additional City funding, but may not be as competitive to receive ongoing funding. MOHCD will include minimum qualifications in its solicitations that nonprofits must be in "good standing" and in compliance with MOHCD, if they have had prior funding from MOHCD. Nonprofits that have not submitted an approved corrective action plan (e.g., those nonprofits on the elevated concern/ red flag status list) on fiscal and compliance elements are not in good standing and thus will not meet the minimum qualifications required to be eligible for new grant awards. MOHCD will review the elevated concern/ red flag status list before awarding a grant or contract.

Incentives for good performance – In order to provide an incentive for good performance, MOHCD will include the opportunity for nonprofits applying for funding to describe their ability to successfully comply with MOHCD's fiscal and compliance standards. MOHCD will also provide an opportunity for nonprofits that have in the past over performed strongly on their grants and/or did not receive any monitoring findings.

Whistleblower referral - In cases of suspected/ alleged fraud (as opposed to fiscal mismanagement) MOHCD will contact the [Controller's Office Whistleblower Program](http://www.sfgov.org/controller/whistleblower) – www.sfgov.org/controller/whistleblower

HRC referral - In cases of suspected/ alleged discrimination, MOHCD will contact the Human Rights Commission.

Vendor debarment – In cases of egregious misconduct, MOHCD will pursue debarment against any City-funded nonprofit who engages in any willful misconduct with respect to any City bid, request for qualifications, request for proposals, purchase order and/or contract. This includes failure to comply with grant/ contract terms, unexcused delays, poor performance, and providing false information. Debarment requires a hearing at which the vendor can be represented by an attorney and present facts and evidence refuting the department's allegations of misconduct. The Controller's Office will include debarred nonprofits on the nonprofit elevated concern and red flag status list, and currently posts them on the internet (http://www.sfgov.org/site/controller_index.asp?id=28412). See Chapter 28 of the San Francisco Administrative Code for more information.

Grievances – MOHCD will inform their nonprofit service providers about their dispute resolution procedures as well as that of the Nonprofit Review/ Appellate Panel:
<http://sfgsa.org/index.aspx?page=379>

CHAPTER VI. GENERAL ADMINISTRATIVE PROCEDURES

A. EQUAL EMPLOYMENT OPPORTUNITY

Grantees must:

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

B. EMPLOYMENT POLICIES AND PROCEDURES

Grantees must:

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

C. BOARD OF DIRECTORS

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

Grantees should make necessary amendments to its Articles of Incorporation and/or By-Laws to comply with these conditions. These amendments must occur prior to disbursement of contract funds. Organizations must notify MOHCD in writing upon any change of Board Officers, Executive Director, MOCH/OEWD funded staff, fiscal auditors or program site closure/relocation within 15 days of the occurrence. Grantees must also notify MOCH/OEWD

should the number of active members of the Board falls below seven or if the Board fails to meet in any quarter.

D. SUNSHINE ORDINANCE

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

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

Compliance includes the following requirements:

1. Board meetings

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

2. Financial Documents

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

E. FIRST SOURCE HIRING

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

F. SECTION 3 COMPLIANCE

Section 3 of the Housing and Urban Development Act of 1968, as amended (12 U.S.C. 1701u) (Section 3) requires the City and County of San Francisco to ensure that employment and other economic and business opportunities generated by the Department of Housing and Urban Development (HUD) financial assistance, to the greatest extent feasible, are directed to public housing residents and other low-income persons, particularly recipients of government housing assistance, and business concerns that provide economic opportunities to low- and very-low income persons. For capital projects and housing development projects, the following requirements will apply.

The successful bidder for contracts over \$100,000 and their respective subcontractors (collectively, the "Contractors") will be required to comply with all Federal regulations relating to providing employment opportunities for resident businesses and individuals as set forth in Section 3 (as implemented by 24 CFR 135). A summary of Section 3 requirements is attached as Exhibit A in the Capital Implementation Manual ("Federal Requirements for the Training and Employment of Low-Income Residents and for the Utilization of Resident Businesses").

Specific Requirements:

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

Contract Terms:

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

HUD Fund Recipient and Contractor Reporting Requirements:

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

- A. "Section 3 Hire Report," attached as Exhibit E, to be submitted with payroll form WH347.
- B. "Section 3 Employee Eligibility Certification," attached as Exhibit F, to be completed by each Section 3 resident and submitted upon receipt by the Contractor with Exhibit E; and

- C. "Section 3 Hire Summary Report," attached as Exhibit G, indicating the number of projected Section 3 worker would be hired and what was actually accomplished, to be submitted prior to final contract payment.

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

G. AMERICANS WITH DISABILITIES ACT (ADA)

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

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

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

H. ENVIRONMENTAL REVIEW

NATIONAL ENVIRONMENTAL POLICY ACT

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

MOHCD will determine the level of environmental review individual projects must pass. Documentation requirements will depend upon the level of review MOHCD has determined is necessary for the project. The MOHCD Grant Coordinator will inform grantees of what

documentation the organization needs to submit for the review. Architectural drawings may be required for projects needing a review under the National Historic Preservation Act. **Grantees may not commit MOHCD funds until the review process is completed.** Grant Coordinators for Capital, Public Space Improvement and Economic Development programs will inform grantees when the environmental review process is complete. Public Service awards are given environmental clearance prior to execution of the Grant Agreement.

I. CARE TO CHILDREN

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

J. FORM SFEC-126: NOTIFICATION OF CONTRACT APPROVAL

Each City elective officer who approves a contract that has a value of \$50,000 or more in a fiscal year must file a form SFEC-126 with the Ethics Commission within five business days of approval. This filing requirement applies if the contract is approved by: the City elective officer, any board on which the City elective officer serves, or the board of any state agency on which an appointee of the City elective officer serves, as described in (d) below.

The City elective officer who approved the contract, whose board approved the contract, or who has an appointee on the board of a state agency that approved the contract, must file this form. However, the City elective officer is not required to file this form if the clerk or secretary of the board on which the officer or appointee serves has filed this form on behalf of the board.

A City Elective Officer is any of the following: Mayor, member of the Board of Supervisors, City Attorney, District Attorney, Treasurer, Sheriff, Assessor, Public Defender, member of the Board of Education of the San Francisco Unified School District, or member of the Governing Board of the San Francisco Community College District.

For the purposes of this report, the board of a state agency on which an appointee of a City elective officer serves is limited to the following agencies: Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority, and Local Workforce Investment Board.

This form is required if the contract has a total anticipated or actual value of \$50,000 or more, or a combination or series of such contracts, amendments or modifications approved by the same City elective officer or board has a value of \$50,000 or more in a fiscal year.

For a period of six months after the contract is approved, neither the City elective officer nor any political committee that he or she controls may solicit or accept a campaign contribution from the following persons or entities: the party whose contract was approved; the party's board of directors; the party's chairperson, chief executive officer, chief financial officer, or chief

operating officer; any person with an ownership interest of more than 20 percent in the party; any subcontractor listed in the bid or contract; or any political committee sponsored or controlled by the contracting party. Nor may any of these persons make a campaign contribution to the City elective officer, a candidate for the office held by such officer, or a political committee controlled by such officer or candidate. If the organization provides care to minor children, they must verify every employee's suitability to have contact with children. The verification process must adhere to the regulations of the California State Department of Social Services, Community Care Licensing Manual, Section 80019, Criminal Record Clearance.

APPENDIX 1: RESOURCES

Information referenced in this manual can be found on the following web sites:
www.sfgov.org/MOHCD

www.sfgov.org/sfhumanrights

S.F. Administrative Code Chapter 12b

Minority/Women/Local Enterprise Business Directory

www.whitehouse.gov/omb

OMB Guidance: *Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Super Circular)*

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

Labor Standards & Davis-Bacon/Prevailing Wage