

## FOR DISASTER GRANTEES AND SUBRECIPIENTS

**March 2021**

### ■ Purpose

According to the U.S. Department of Housing and Urban Development's (HUD) [Buying Right CDBG-DR and Procurement: A Guide to Recovery](#), Community Development Block Grant Disaster Recovery (CDBG-DR) grantees and subrecipients procuring goods and services with grant funds must follow all applicable statutory and regulatory requirements. The urgency in post disaster recoveries often leads State and local officials to work to quickly restore infrastructure and public services and help make repairs. Such urgency can sometimes result in cutting corners with CDBG program requirements. However, grantees and subrecipients that do not follow all CDBG program requirements may be forced to repay Federal funds.

### ■ Establish Internal Controls

An effective procurement policy must include strong internal controls designed to prevent and deter fraud, waste, and abuse. A strong set of internal controls should aid in increasing the effectiveness and efficiency of operations, providing reliable financial reporting, and ensuring compliance with applicable laws and regulations. An effective system of internal controls should also include systems for measuring, reporting, and monitoring program performance. Implementing effective internal controls should provide a system of checks and balances to detect and prevent violations of procurement rules and procedures. The following controls can strengthen procurement practices and reduce risk.

### ➔ Create Policies and Procedures

- Develop written procurement policies that comply with applicable regulations and promote free and open competition.
- Implement a written code of conduct and require all employees, officers, or agents engaged in the award and administration of contracts supported by grants to read and sign a copy.
- Implement written performance requirements and penalties (liquidated damages) for failure to meet requirements for contracts and agreements.

### ➔ Conduct Monitoring and Oversight

- Develop written cost estimates and analyses for every procurement action, including purchase orders, to support that the proposed costs are reasonable.
- Verify that providers of goods or services have not been debarred or suspended.
- Ensure that services or items delivered and costs billed are consistent with the items contained in the corresponding purchase orders and contracts.
- When feasible, rotate awards between vendors for micropurchases and small purchases.



### ➔ Maintain Separation of Duties

- Designate staff who can only receive goods or make payments, not both.
- Implement a dual signature review to authorize payments.
- Ensure that only authorized individuals make binding contracts.

### ➔ Provide Competencies and Training

- Thoroughly review procurement policies and procedures for compliance with HUD and Office of Management and Budget requirements.
- Ensure that personnel involved in procurement have appropriate training and experience.

### ➔ Maintain Good Record Keeping

- **The recipient is responsible for ensuring that all original records are readily available.**
  - The recipient should maintain a contract register of vendors and subcontractors that details the date and type of procurement, the funding source, the amount of the contract, and a brief description.
  - Include justifications and cost analyses in change orders to demonstrate that prices are reasonable.
- **For the following types of procurement, certain documentation must be included.**
  - **Micropurchases**
    - » Invoices
    - » Logs showing the distribution of orders among qualified vendors
    - » Quotes unless the price is documented as reasonable
  - **Small purchases**
    - » Written quotes
    - » A record of the telephone solicitation
  - **Sealed bids**
    - » Bid tabulation
    - » Advertisements
    - » Outreach notifications
    - » Bid evaluations
    - » Award determination
  - **Competitive proposals**
    - » Advertisements
    - » Outreach notifications
    - » List of evaluation factors
    - » Evaluation reviews and scores



## ➔ Key Internal Controls Related to Disaster Recovery Procurement

- **Noncompetitive proposals**

- » Support for why the other forms of procurement were unfeasible
  - » single source contract
  - » public emergency
  - » inadequate competition after several solicitations
- » HUD approval prior to contract award

- **The grantee and subrecipient should post the following information to its website:**

- Procurement policies and procedures
- All contracts procured with CDBG-DR funds
- The status of services or goods currently being procured by the recipient
- A summary of all procured contracts, including those procured by the grantee or subrecipient

## ➔ Uphold Ethics and Prevent Conflicts of Interest

- Develop policies and procedures prohibiting personnel from personally gaining from recipient procurements or transactions.
- Recipients must ensure that apparent or perceived conflicts of interests are mitigated.

**If you think you may be a victim of a fraud scheme, report it to the HUD Office of Inspector General by calling the HUD OIG Hotline at 1-800-347-3735 or visiting [www.hudoig.gov/hotline](http://www.hudoig.gov/hotline).**

