

Please note that this addendum only provides information, waivers, and alternative requirements to the CDBG program. It does not fully replace the [CDBG Grant Administration Manual \(GAM\) Chapter 4](#). The following items from the CDBG GAM are applicable to CDBG-DR:

1. Introduction
2. Definition of Terms for Procurement
3. Procurement Policy
4. Procurement Procedures
5. Conflict of Interest
6. Contract Administration and Records
7. Methods of Procurement Overview
8. Procurement by Small Purchase
9. Procurement by Sealed Bids (Formal Advertising)
10. Procurement by Competitive Proposals
11. Procurement by Noncompetitive Proposals
12. Developing Procedures for When Bids Exceed Cost Estimates
13. Verification of Contractor Eligibility
14. Notice of Contract Award
15. Preparation of a Contract
16. HUD Act of 1968 (Section 3) Covered Contracts Requirements
17. Davis Bacon

#### Chapter 4: Procurement and Contracting ~ CDBG-DR Addendum

*The CDBG-DR Addendum should be used in conjunction with the CDBG GAM and CDBG-DR Program Guidelines. For the procurement process, MEDC will assume authority of all tasks completed by MSF with CDBG funds.*

#### PROCUREMENT REQUIREMENTS FOR LOCAL GOVERNMENTS AND SUBRECIPIENTS

- Local units of government and subrecipients using grant managers or administrators must reprocure these services as CDBG-DR is considered a new funding source.
- Any cost charged to the grant must meet three standards:
  - *Necessary*: Is the cost for an eligible activity? Is there a need for the assistance? Is it for a permissible recovery purpose?
  - *Reasonable*: Would a prudent person consider the cost to be payable by the award?
  - *Allowable*: Is the cost necessary to the operation? Is the cost eligible?
- All procurements must demonstrate compliance with “free and open” competition requirements.
  - Some of the situations considered to be restrictive of competition include, but are not limited to:
    - Placing unreasonable requirements on firms in order for them to qualify to do business.
    - Requiring unnecessary experience and excessive bonding.
    - Noncompetitive pricing practices between firms or between affiliated companies.
    - Noncompetitive awards to consultants that are on retainer contracts.
    - Organizational conflicts of interest.
    - Specifying only a brand-name product instead of allowing an equal product to be offered and describing the performance of other relevant requirements of the procurement.
    - Any arbitrary action in the procurement process.
- All procurements must have an independent cost estimate (ICE) in advance of award, and preferably in advance of procurement. Selecting the lowest bidder in the absence of an independent cost estimate does not meet HUD or 2 CFR Part 200 procurement requirements.

**PROCUREMENT REQUIREMENTS FOR TRIBES**

- An Indian tribe grantee has proficient procurement processes if its procurement standards are consistent with procurement requirements in 2 CFR part 200 imposed by 24 CFR 1003.501, and additional procurement requirements in 1003.509(e) and 1003.510.

**CONTRACT TYPES AND ELEMENTS**

- Contract preferences is for firm fixed price contracts, with the exception of professional services contracts that can be time and materials contracts. Timesheet documentation is required for all time and materials (T&M) contracts.
- HUD established an additional alternative requirement for all contracts with contractors used to provide goods and services, as follows:
  - The grantee (or procuring entity) is required to clearly state the period of performance or date of completion in all contracts and the contract amount;
  - The grantee (or procuring entity) must incorporate performance requirements and liquidated damages into each procured contract. Contracts that describe work performed by general management consulting services need not adhere to the requirement on liquidated damages but must incorporate performance requirements; and
  - The grantee (or procuring entity) may contract for administrative support, in compliance with 2 CFR 200.459, but may not delegate or contract to any other party any inherently governmental responsibilities related to oversight of the grant, including policy development, fair housing and civil rights compliance, and financial management.

**ADDITIONAL PROCUREMENT AND CONTRACT REQUIREMENTS**

- Contracts that will trigger labor standards reporting (Davis Bacon) should specify this in the procurement and include a wage determination. Contract documents should specify reporting requirements.
- Contracts triggering Section 3 reporting of labor hours in three categories (total labor hours, Section 3 labor hours, Targeted Section 3 labor hours) should include these requirements in both procurement and contract documents.