

Community HOME Investment Program

Administrative Manual



INTRODUCTION
CHIP Administrative Manual

Background

The HOME Investment Partnerships (HOME) Program was authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended and was signed into law on November 28, 1990 (Pub. L. 101-625). The HOME Program provides funds to expand the supply of affordable housing for individuals and families earning less than 80% of the Area Median Income (AMI). Interim regulations for the HOME Program were first published on December 16, 1991 and are codified at 24 CFR Part 92. The HOME Final Rule was released September 16, 1996. HUD published a Final Rule in the Federal Register on July 24, 2013 to amend the HOME Investment Partnership (HOME) Program regulations. These amendments to the HOME regulations represent the most significant changes to the HOME Program in 17 years. Click on the links below for additional information about the HOME Final Rule:

- [Overview of the 2013 HOME Final Rule](#)

The Georgia Housing and Finance Authority (GHFA) receive HOME funds from the U.S. Department of Housing and Urban Development (HUD) as the designated Participating Jurisdiction (State PJ) for the State of Georgia. The Georgia Department of Community Affairs (DCA) administers the program on behalf of GHFA. DCA allocates a portion of all HOME funds received each year by DCA to the Community HOME Investment Program (CHIP) for use by small cities, rural counties, non-profits, and local public housing authorities that serve communities that are not designated by HUD as a local Participating Jurisdiction (Local PJs). In order for these entities to receive CHIP funding, they must apply to DCA and, if awarded, become State Recipients or Sub-recipients under CHIP.

State Recipients and Sub-recipients under CHIP are responsible for carrying out all program activities and complying with all HOME regulations as well as many other federal requirements. DCA is responsible for providing technical assistance, developing program allocation and selection policies, managing the funding and distribution process, monitoring grantee compliance with program requirements, and reporting to HUD on the use of the funds. Our goal is to help State Recipients and Sub-recipients do the best job possible in providing affordable housing services while requiring as little paperwork and programmatic oversight as is necessary to meet our due diligence and regulatory responsibilities.

This Administrative Manual covers program administration requirements. Additionally, the HOME Final Rule, the CHIP Program Description, and the Policy & Procedures and Written Rehabilitation Standards outline requirements and should be used in conjunction with the Administrative Manual.

Disclaimer

The Administrative Manual provides information required for Recipients to locally administer awarded CHIP funds. However, whenever a conflict exists between the Administrative Manual, the Program Description, and the Final HOME Rule, the HOME Rule must be complied with except where DCA has more narrowly defined any HOME activities or programmatic requirements.

CHAPTER 1 – Program Administration Instructions

Section 1. Activating Your New CHIP Award

Upon approval of an application for CHIP funds, GHFA must enter into a written agreement (Agreement) with each selected Recipient. This Agreement is required by HUD for all CHIP recipients and covers both the funding level and planned activities of the Recipient and the applicable HOME Regulations (24 CFR 92), state laws, and program requirements that must be followed. Two copies of the Agreement will be mailed to the Recipient for their execution. Upon return to DCA, the Deputy Executive Director for Housing

will execute the Agreement by signing both copies and DCA will then mail a copy of the signed executed agreement to the Recipient for their records.

Executing Instructions:

- The Recipient must have their Certifying Representative examine these documents closely before signing and dating all required originals and copies.
- The Certifying Representative (Mayor, Chairman of County Commission, Chairman of the Board of a Non-profit, or other authorized official) must execute the Agreement.
- The Certifying Representative must execute the Agreement and return both original versions to DCA. The documents must be mailed to DCA as follows:

Ms. Samanta Carvalho
CHIP Program
Georgia Department of Community Affairs
60 Executive Park South, N.E.
Atlanta, Georgia 30329-2231

Section 2. Authorized Signature Cards

A. Signature Card for Draw Request (CA-1)

An Authorized Signature Card authorizes individuals of the Recipient to request payment of funds under the Agreement. The Authorized Signature Card must authorize at least one signatory but no more than four. At least one of the signatories must be an employee of the Recipient. Check the box designating whether one or two signatures will be required on an individual draw request. If the Certifying Representative designates him/herself for authorization of the draw request, then two authorized signatures are required. An employee of the Administrator may not be designated in lieu of an employee of the Recipient.

The Recipient's or Recipient's Certifying Representative must also sign the Authorized Signature Card to certify that the individuals named above are indeed authorized to request payment and that the signatures on the card are their own. No erasures or corrections may appear on the Authorized Signature Card.

The Authorized Signature Card (CA-1) must be received and on-file prior to processing draw request for all Recipients.

If signatories change during the grant period, a new Authorized Signature Card must be completed and re-submitted prior to the submission of any future draw requests. All draw requests must match the signatory authorizations on file at DCA.

Completion of this form is voluntary on behalf of the Authorized Official of the Grantee. If no individual(s) is designated in either Section 1 or Section 2, the Authorizing Official will be required to sign all documents submitted by the Grantee.

B. Signature Card For Program Policy and Activity Documents (CA-9)

DCA has put in place a signature card (CA-9) authorizing the Recipient to designate individual(s) to sign on behalf of the Grantee. This procedure will allow the Recipient to designate an appropriate person to sign documents. Completion of this form is voluntary on behalf of the Authorizing Official of the Recipient. If no individual(s) is designated in either Section 1 or Section 2, the Authorizing Official will be required to sign all documents submitted by the Recipient. This

Authorized Signature Card may be utilized for any CHIP Grant regardless of the year that the grant was awarded.

PLEASE NOTE: Federal environmental requirements do not allow for any individual other than the Chief Elected Official of the Grantee to certify compliance of the Tier One Environmental Review or the Site Specific Environmental Screening Checklist required by Tier Two.

Section 3. Clearing Your General Conditions

Appendix B in each Agreement outlines each of the General Conditions that must be cleared by DCA prior to initiating the program. During the Application review process, DCA cleared some of the General Conditions for the Recipients and provided notice of any clearances issued in Appendix B to the Agreement. As DCA clears any remaining General Conditions that were not approved in the original Agreement, DCA will note its Approval in Appendix B and reissue a revised copy to the Recipient. The Recipient may not initiate any work on its program until DCA has approved all of the General Conditions.

As a recipient and administrator of CHIP funds, you must implement your program following the instructions outlined in the CHIP Administrative Manual and the CHIP Program Description. You must adhere to the DCA Policies and Procedures when administering the program locally. The Policy and Procedures should be used in conjunction with your already accepted design based on your approved application. Any Recipient that does not accept the approved DCA Policies and Procedures will not be allowed to implement the program.

Section 4. Setting-Up Activities for Homeowner Rehabilitation Assistance

DCA will be monitoring each activity to ensure its compliance with key programmatic requirements during the set-up phase of project implementation. The processes used to ensure programmatic compliance will be based on the activity being implemented – homeowner rehabilitation assistance.

Homeowner Rehabilitation Assistance activities are required to follow a two-step Activity Setup process: (1) Activity Pre-Setup and (2) Activity Setup.

1. Homeowner Rehabilitation Assistance Activity Pre-Setup:

The Homeowner Rehabilitation Activity Pre-Setup process is designed to ensure that the housing unit and household meets certain HOME requirements prior to the Recipient entering into a contract for assistance with the homeowner or the homeowner entering into any construction contract. The Recipient must submit to DCA a Homeowner Rehabilitation Activity Pre-Setup Information Form (CA-3) with required accompanying documentation for any unit proposed for funding. It is suggested that items listed on the Pre-Setup Information Form (CA-3) be submitted in the order of the form for clarity and uniformity.

For any Recipient that proposes reconstruction as part of their program design and where reconstruction is proposed on an individual unit, a Reconstruction Feasibility Test Form (CR-8) must be provided during the activity Pre Set-up phase that provides the following information:

- a. Narrative describing the needs for a unit to be reconstructed instead of rehabilitated. The narrative must identify the costs of reconstruction versus the cost of rehabilitation. The narrative must also describe the Recipient's or Recipient's plans to relocate the unit residents during reconstruction, including the source of funds, the estimated length of time that relocation will be necessary, and a commitment from Recipient that sufficient resources are

available to the Recipient to cover the entire length of time that the relocation will be necessary.

- b. An appraisal or third party documentation of the After Development Value of the Property.

Upon review of the information submitted, as part of the Pre-Setup phase and DCA's determination that the information provided is compliant with CHIP requirements, DCA will issue a Notice of Tier 2 Environmental Clearance and Authority (CR-4) to Enter into Contract with Homeowner within five (5) business days from receipt of documentation to the Recipient and, if applicable, to their Administrator that will include the assigned DCA Project Number for the activity. At that time the Recipient is free to enter into a contract with the homeowner and allow the homeowner to secure a contractor.

If upon review and determination that the information provided is not compliant or is insufficient for DCA to complete its determination, DCA will issue a Pre-Set up Deficiency Determination email to the Recipient and, if applicable, to their Administrator identifying those areas that must be addressed.

When additional information has been submitted in response to a Pre-Setup Deficiency Determination notification, DCA will issue either an additional Pre-Set up Deficiency Determination phone call, and/or email to the Recipient and, if applicable, to their Administrator or the Notice to Proceed Pre-Set up (CR-4) within five (5) business days from receipt of the requested documentation.

DCA will scan and send electronically via email the Notice of Tier 2 Environmental Clearance and Authority (CR-4) to the Recipient and, if applicable, to their Administrator.

Pre-Setup requests can be submitted by the Recipient and, if applicable, their Administrator. via email to DCA.

2. Homeowner Rehabilitation Assistance Activity Setup:

In order to receive a drawdown of funds from the CHIP grant, DCA must first commit funds for the specific activity (i.e. household and unit address) in the Integrated Disbursement and Information System (IDIS). It is required that the following information for homeowner rehabilitation activities be submitted to DCA to ensure that the proposed activity meets specific CHIP requirements:

- a. Homeowner Rehabilitation Assistance Activity Set Up Form (CA-4)
- i. Agreement between Recipient and Homeowner
 - As evidenced by a copy of the Loan Agreement (CL-3) and the Promissory Note for Homeowner Rehabilitation Assistance (CL-4R)
 - Homeowner Rehabilitation Assistance Deed to Secure Debt (CL-1)
 - Notice of Commencement
 - Addendum to Construction Contract (CRA-10)
 - Copy of Current Certificate of Homeowner's Insurance
 - ii. Contract between the Homeowner and Contractor
 - Contractor's Work Write-up
 - iii. Proof of Contractor Clearance
 - iv. Proof of Lead Renovator Certification
 - v. Georgia Security and Immigration Compliance Act of 2006 (CC-2)

- vi. The Inspection/Risk Assessment Reports along with the Lead AND General Work Write Ups must be submitted to DCA PRIOR to soliciting bids from contractors. DCA will review each submission and provide a "Notice to Accept Bids" to the grantee. The Notice to Accept Bids must be retained in each case file

DCA will review the Homeowner Rehabilitation Assistance Activity Set-up Form (CA-4) documentation, identify any deficiencies, and communicate those deficiencies via email within five (5) business days of receipt at DCA. If there are no deficiencies, DCA will issue a Notice to Proceed Rehab Set-up within (5) business days of receipt of the complete Set-up package.

If a request is made for additional information, upon receipt, DCA will review and send a Homeowner Rehabilitation Assistance Activity Deficiency Determination email or issue a Notice to Proceed Rehab Set-up within five (5) business days. DCA will scan and send electronically or fax the Notice to Proceed Rehab Set-up to the Recipient and, if applicable, to their Administrator.

3. Lead based Paint Requirements for Homeowner Rehabilitation Activities

Please note that there have been changes to the Lead Safe Housing Rule. Effective April 2010, renovation firms must be certified. At least one certified renovator must be on the job site or available when work is being done. The certified renovator may be a certified lead based paint abatement supervisor who has completed the 4 hour Renovation, Repair and Painting Rule (RRP) Refresher course.

The RRP Training and Certification is good for 5 years, except in Georgia, where refresher training must be taken every 3 years.

DCA will not utilize its grant funds to pay for lead based paint testing and inspections on houses where CHIP funds will not be invested.

4. Homeowner Rehabilitation Revised Set-up Submission

- a. All revised Set up requests must be prepared on the Homeowner Rehabilitation Assistance Activity Set up Form (CA-4) by the Recipient and submitted via email or mail to DCA. Make sure you check the "Revision" box" on the upper left hand corner and provide the name and phone number of the person completing the form.
- b. DCA will review the Revised Homeowner Rehabilitation Assistance Activity Set up Form (CA-4) and accompanying documentation, identify any deficiencies, and, if necessary, communicate those deficiencies via email within five (5) business days of receipt at DCA. Once all information is received and reviewed, DCA will issue by fax or email to the Recipient and, if applicable, their Administrator the HUD IDIS confirmation page showing the updated changes within (5) business days of DCA's receipt of a complete set up package.

5. Homeowner Rehabilitation Set-up Cancellation Submission

- a. All cancelled Set up requests must be prepared on the Homeowner Rehabilitation Assistance Activity Set up Form (CA-4) and submitted by the Recipient and, if applicable, their Administrator. Submission can be email, mail, courier, or hand delivery to DCA. Make sure to check the cancellation box on the upper left hand corner of the Homeowner Rehabilitation Assistance Activity Set up Form. (CA-4).

- b. A canceled confirmation will be issued within (5) business days of receipt of the canceled setup request.

6. Requests to Exceed Maximum Amount of CHIP assistance

- a. For Amounts Up to 20% of the Original Set Up Amount: A Recipient may exceed the original set up amount for an individual housing unit by up to 20% without seeking DCA approval. In these instances, the Recipient and, if applicable, their Administrator must submit a revised Homeowner Rehabilitation Assistance Activity Set up Form (CA-4) with the following information:

- (1) CHIP Project Number
- (2) Name of Homeowner
- (3) Address of Unit
- (4) Revised HOME Cost
- (5) Accompanying Documentation
 - i. Homeowner Affidavit to Execute Amended Promissory Note (CL-A13)
 - ii. Contract between Homeowner and Contractor
 - * Must include the Contractor Work Write-Up and Pictures

- b. For Amounts Over 20% of the Original Set Up Amount: A Recipient may not exceed the original set up amount for an individual housing unit by over 20% without seeking DCA approval. In these instances, the Recipient must submit a Request to Exceed Maximum letter clearly describing the reason for the increased request along with a revised Homeowner Rehabilitation Activity Set up Form (CA-4) with the following information:

- (1) CHIP Project Number
- (2) Name of Homeowner
- (3) Address of Unit
- (4) Revised HOME Cost
- (5) Accompanying Documentation
 - a. Narrative describing the reasoning behind the need for the increased assistance request
 - b. Homeowner Affidavit to Execute Amended Promissory Note (CL-A13)
 - c. Signed Change Order Amending the Contract between Homeowner and Contractor
 - d. Contractor's Work Write-Up
 - e. Pictures documenting the need for the revised scope of work

DCA will consider the request and, if approved, issue a Grant Notice. If the request is denied, DCA will issue a Homeowner Rehabilitation Assistance Activity Deficiency Determination email notification to the Recipient and/or Administrator for said grant.

Section 5. Drawing Funds for Homeowner Rehabilitation Assistance Activities

When a Recipient is ready to submit a request to receive funds, the Recipient must prepare and submit with supporting documentation to DCA a CHIP Project Drawdown Request Form (CA-2) or CHIP Admin Drawdown Request Form (CA-2b). The Project Drawdown Request Form must include project delivery costs, for which payment is requested and accompanied by supporting documentation of the cost. Recipients should note invoices that simply reference "project delivery costs" are not detailed or itemized and will not meet HUD's or DCA's requirements for detail and itemization. Instead, an itemized invoice for services rendered and or costs incurred must be with the invoice.

Each interim draw request must be accompanied with a schedule of work completed compared to the construction contract that is prepared by the contractor.

At the time of final construction draw, the Recipient and, if applicable, their Administrator must submit the following information and supporting documentation:

- a. CHIP Project Drawdown Request Form (CA-2)
- b. Homeowner Rehabilitation Assistance Activity Completion Form - (CA-5)
- c. Contractor and Subcontractor Information Form - (CR-2)
- d. Contract and Sub-Contractor Activity Report- (CR-3)
- e. Section 3 Report – (CC-1)
- f. Documentation of HOME Match Contribution Form - (CC-9)
- g. Homeowner Affidavit to Execute Amended Promissory Note (CL-A13)
- h. Deed to Secure Debt (if not provided during pre-setup and rehab set up (CL-1)
- i. Promissory Note for Homeowner Rehabilitation Assistance (CL-4R)
- j. Collateral Assignment (if not provided during pre set up or during set up phase) (CL-5)
- k. Contractor Certification of Work (CR-5)
- l. Owner's Satisfaction Statement (CR-7)
- m. Final Code Inspection by local code official (CR-9)
- n. Supporting Documentation
 - i. Final Schedule of Work Completed compared to the Construction Contract
 - ii. Agreement between Recipient and Homeowner
 - iii. Final Lien Waivers
 - iv. Pictures documenting completed work activity
 - v. Any additional documents that may be required by DCA

At the time of the final construction draw, the Recipient may request payment of administrative funds if funds were awarded as part of the Agreement. The amount requested may not exceed 2% of the funds drawn for the activity.

Upon DCA's determination that the documentation submitted with the CHIP Project Drawdown Request Form (CA-2) and/or CHIP Admin Drawdown Request Form (CA-2b) is complete, DCA will initiate within five (5) business days a formal request to HUD for funding. The Recipient should anticipate receipt of funds in their account within fourteen (14) business days from the time date stamped and entered into the mail-log.

If DCA determines that the documentation submitted with the CHIP Drawdown Request Form CA-2 and/or CA-2b is insufficient, DCA will contact the Administrator via email and telephone to inform them of the draw request deficiency.

Section 6. Setting-Up Activities for New Construction Assistance

DCA will be monitoring each activity to ensure its compliance with key programmatic requirements during the set-up phase of project implementation. All new construction activities are required to follow a two-step Activity Set-up process: (1) Activity Pre Set-up and (2) Activity Set-up.

1.) Activity Pre Set-up

The New Construction Activity Pre Set-up process is designed to ensure that the housing unit and proposed development site(s) meet certain HOME requirements prior to the Recipient authorizing the development partner to begin contractor procurement activities. The Recipient must submit to DCA a Pre Set-up Information Form (CN-1) with required accompanying documentation for any unit proposed for

funding. It is suggested that items listed on the CN-1 be submitted in the order of the form for clarity and uniformity.

Upon review of the information submitted, as part of the pre set-up phase and DCA's determination that the information provided is compliant with CHIP requirements, DCA will issue a Notice to Proceed Pre Set-up to the Recipient that will include the assigned DCA Project Number for the activity. Following the receipt of this information, DCA will issue a Grant Notice clearing these special conditions. The Recipient may then notify their development partner that they are free to begin contractor procurement activities for the project.

If upon review and determination that the information provided is not compliant or is insufficient for DCA to complete its determination, DCA will issue a Pre Set-up Deficiency Determination e-mail to the Recipient identifying those areas that must be addressed.

When additional information has been submitted in response to a Pre Set-up Deficiency Determination notification, DCA will issue either an additional Pre Set-up Deficiency Determination phone call, and/or email to the Recipient or the CN-1. DCA will scan and send electronically via email this form to the Recipient. Pre Set-up requests can be submitted by the State Recipient via email or mail (preferred) to DCA.

2.) New Construction Activity Set-up

In order to receive a drawdown of funds from the CHIP grant, DCA must first commit funds for the specific activity (i.e. household and unit address) in the Integrated Disbursement and Information System (IDIS). It is required that the following information for homeownership activities be submitted to DCA to ensure that the proposed activity meets specific CHIP requirements:

- a. New Construction Activity Set-up and Completion Form (CN-2)
- b. Agreement between State Recipient and Developer
- c. Documentation of the procurement process including copies of the following:
- d. Notices to potential bidders about the project
- e. Bid Summary Sheet that compares each bid to the cost estimate
- f. Bid Control Sheet that documents summaries of each bid receive and includes signatures of those that attended the bid opening
- g. Contract between the Developer and Contractor
- h. Contractor's Work Write-up
- i. Notice of Commencement
- j. Addendum to Construction Contract (CR-A10)
- k. Proof of Contractor Clearance
- l. Proof of Lead Renovator Certification, if applicable
- m. Georgia Security and Immigration Compliance Act of 2006 (CC-2)
- n. Davis-Bacon wage rates, if applicable.

DCA will review the CN-2 documentation, identify any deficiencies, and communicate those deficiencies via email. If there are no deficiencies, DCA will issue a Notice to Proceed Set-up.

If a request is made for additional information, upon receipt, DCA will review and send a Homeowner Rehabilitation Assistance Activity Deficiency Determination email. DCA will scan and send electronically or fax this Notice to the Recipient

3.) New Construction Revised Set-up Submission

All revised set-up requests must be prepared on the CN-2 by the Recipient and submitted via email or mail (preferred) to DCA. Make sure you check the "Revision" box on the upper left hand corner and provide the name and phone number of the person completing the form.

DCA will review the revised CN-2 and accompanying documentation, identify any deficiencies, and, if necessary, communicate those deficiencies via email. Once all information is received and reviewed, DCA will notify the Recipient by email that the change has been approved.

4.) New Construction Activity Set-up Cancellation Submission

All cancelled set-up requests must be prepared on the CN-2 and submitted by the Recipient. Submission can be submitted via email to DCA. Make sure to check the cancellation box on the upper left hand corner of the CN-2.

A canceled confirmation will be issued by DCA following the receipt of the canceled set-up request.

5.) Requests to Exceed Original Set-up Amount

A State Recipient may not exceed the original set-up amount for an individual housing structure without seeking DCA approval. In these instances, the State Recipient must submit a cover letter clearly describing the reason for the increased request along with a revised CN-2 with the following information:

- a. IDIS Activity Number
- b. Address of Unit
- c. Revised HOME Cost
- d. Accompanying Documentation
- e. Narrative describing the reasoning behind the need for the increased assistance request
- f. Developer Affidavit to Execute Amended Promissory Note
- g. Signed Change Order Amending the Contract between Developer and Contractor
- h. Contractor's Work Write-Up
- i. Pictures documenting the need for the revised scope of work

DCA will consider the request and, if approved, issue a written notice. If the request is denied, DCA will issue a Homeownership Assistance Activity Deficiency Determination email notification to the Recipient and/or Administrator for said grant.

Section 7. Drawing Funds for New Construction Activities

When a Recipient is ready to submit a request to receive funds, the Recipient must prepare and submit to DCA a Project Drawdown Request Form (CA-2) with supporting documentation. The Project Drawdown Request Form must include project delivery costs, for which payment is requested and accompanied by supporting documentation of the cost. Recipients should note invoices that simply reference "project delivery costs" are not detailed or itemized and will not meet HUD's or DCA's requirements for detail and itemization. Instead, an itemized invoice for services rendered and or costs incurred must be with the invoice.

Each interim draw request must be accompanied with a schedule of work completed compared to the construction contract that is prepared by the contractor.

At the time of final construction draw, the Recipient must submit the following information and supporting documentation:

- o. Project Drawdown Request Form (CA-2)
- p. Activity Set-up and Completion Form (CN-2)

- q. Contractor and Subcontractor Information Form (CR-2)
- r. Contract and Subcontract Activity Report (CR-3)
- s. Section 3 Report (HSRC-1)
- t. Documentation of HOME Match Contribution (CC-9), if Recipient agreed to provide Match Contribution
- u. Homeowner Affidavit to Execute Amended Promissory Note (CL-A13)
- v. Deed to Secure Debt (CL-1) (if not provided during pre set-up and rehab set-up)
- w. Promissory Note (CL-AR)
- x. Contractor Certification of Work (CR-5)
- y. Owner's Satisfaction Statement (CR-7)
- z. Final Code Inspection by Local Code Official (CR-9)
- aa. Supporting Documentation
 - i. Final Schedule of Work Completed compared to the Construction Contract
 - ii. Agreement between Recipient and Home Buyer
 - iii. Final Lien Waivers
 - iv. Pictures documenting completed work activity
 - v. Any additional documents that may be required by DCA

At the time of the final construction draw, the Recipient may request payment only of what is needed to pay the contractor to complete the construction contract. Any payment of developer fees to the development entity and project delivery fees to the Recipient shall be made once the unit constructed has been sold to an income-eligible home buyer and all required documentation sent in. This documentation shall include the following:

- a. New Construction Set-up and Completion Form (CN-2)
- b. Homeowner income eligibility form (CC-8)
- c. Citizenship form (CC-3 and CC-4)
- d. Conflict of interest (CC-6)
- e. Use as primary residence (CC-7)
- f. Deed to Secure Debt executed between the Recipient and home buyer (CL-A11)
- g. Loan Agreement (CL-A12)
- h. Promissory Note (CL-AD)
- i. HOME Grant Agreement (CL-2)
- j. The calculations of the Recipient showing how the appropriate amount of home buyer subsidy was determined as per their approved policies.

Upon DCA's determination that the documentation submitted with the CN-2 is complete, DCA will initiate a formal request to HUD for funding. **The Recipient should anticipate receipt of funds in their account within fourteen (14) business days from the date of receipt by DCA.**

If DCA determines that the documentation submitted with the CN-2 is insufficient, DCA will contact the State Recipient via email and telephone to inform them of the draw request deficiency.

DCA will be monitoring each activity to ensure its compliance with key programmatic requirements during the set-up phase of project implementation. The processes used to ensure programmatic compliance will be based on the activity being implemented – homeowner rehabilitation assistance.

Section 8. Drawing Funds for New Construction Activities

When a Recipient is ready to submit a request to receive funds, the Recipient must prepare and submit with supporting documentation to DCA a CHIP Project Drawdown Request Form (CA-2) or CHIP Admin Drawdown Request Form (CA-2b). The Project Drawdown Request Form must include project delivery

costs, for which payment is requested and accompanied by supporting documentation of the cost. Recipients should note invoices that simply reference “project delivery costs” are not detailed or itemized and will not meet HUD’s or DCA’s requirements for detail and itemization. Instead, an itemized invoice for services rendered and or costs incurred must be with the invoice.

Each interim draw request must be accompanied with a schedule of work completed compared to the construction contract that is prepared by the contractor.

At the time of final construction draw, the Recipient and, if applicable, their Administrator must submit the following information and supporting documentation:

- a. CHIP Project Drawdown Request Form (CA-2)
- b. Homeowner Rehabilitation Assistance Activity Completion Form - (CA-5)
- c. Contractor and Subcontractor Information Form - (CR-2)
- d. Contract and Sub-Contractor Activity Report- (CR-3)
- e. Section 3 Report – (CC-1)
- f. Documentation of HOME Match Contribution Form - (CC-9)
- g. Contractor Certification of Work (CR-5)
- h. Owner’s Satisfaction Statement (CR-7)
- i. Final Code Inspection by local code official (CR-9)
- j. Supporting Documentation
- k. Final Schedule of Work Completed compared to the Construction Contract
- l. Agreement between Recipient and Homeowner
- m. Final Lien Waivers
- n. Pictures documenting completed work activity
- o. Any additional documents that may be required by DCA

At the time of the final construction draw, the Recipient may request payment of administrative funds if funds were awarded as part of the Agreement. The amount requested may not exceed 2% of the funds drawn for the activity.

Upon DCA’s determination that the documentation submitted with the CHIP Project Drawdown Request Form, CA-2 and/or CHIP Admin Drawdown Request Form, (CA-2b), is complete, DCA will initiate within five (5) business days a formal request to HUD for funding. **The Recipient should anticipate receipt of funds in their account within fourteen (14) business days from the time date stamped and entered into the mail-log.**

If DCA determines that the documentation submitted with the CHIP Drawdown Request Form CA-2 and/or CA-2b is insufficient, DCA will contact the Administrator via email and telephone to inform them of the draw request deficiency.

Section 9. General Banking Requirements

A Recipient must place all funds received from GHFA into a separate, non-interest bearing local CHIP Housing Account (CHIP Account). Any funds contributed as a minimum balance required by the banking institution must be non-CHIP funds.

All funds placed in the local CHIP Account must be expended (checks written and distributed to the appropriate vendor or other payee) within seven (7) business days of receipt of the funds from DCA. All funds not disbursed for costs associated with an activity must be mailed to DCA within this seven (7) business day period.

Any funds returned to GHFA must be returned to the United States Treasury through the U.S. Department of Housing and Urban Development. DCA cannot control the timing of the application of these funds by HUD to the Recipient's grant.

Any disbursements attempted by DCA that fail to be deposited in the Recipient's bank account as a result of inaccurate wiring instructions provided by the Recipient at time of draw will result in a \$40 reduction in the administrative funds paid to the Recipient for the activity and a corresponding reduction in the administrative grant available to the Recipient. If an administrative grant is not awarded, the Recipient will be invoiced \$40.00 for each failed attempt.

All payments will be made using either a wire transfer or an Automated Clearing House (ACH) transaction unless very limited, special circumstances require a manual check.

Section 10. Program Implementation Timeframe

Completion of program activities within the timeframe established by the Program Description and noted in your Agreement is extremely important since future funding decisions will take into account timely implementation. DCA reserves the right to deny any Recipient following year funding request if an acceptable level of a current year's program award has not been drawn down.

Do not delay in getting started – housing program administration is not easy and requires long lead times to accomplish goals.

Section 11. Reporting and Monitoring Your Program's Progress

Recipients must constantly monitor their own performance to insure timeframes are being met and to control the quality of the product being delivered. Any problems, delays, or adverse conditions that will affect the Recipient's ability to meet its stated goals should be reported to DCA immediately.

Program Reporting

The majority of information required by DCA for its annual reporting requirements to HUD will be submitted at the activity level as projects are completed. However, the Recipient must provide additional program reports or information to DCA on an "as needed basis."

Program Monitoring

As a result of its program set up and draw requirements, DCA will continually monitor each Recipient's progress in carrying out their program activities. As a part of DCA's pre-set up process, recipients must submit verification of income, property ownership, owner occupancy, property type and value, property standards, loan and grant documentation, construction documentation, environmental screening, reconciliation of CHIP checking account, source documentation for all invoices and other financial management review.

Prior to any monitoring visit, DCA will inform grantee via correspondence the date, time, and type of monitoring visit as well as location of the visit. DCA will issue a notice to any Recipient who is significantly behind on the program's implementation scheduled described in the Program Description. In addition, DCA will make site visits to Recipients as frequently as necessary to provide technical assistance. DCA will monitor the following federal requirements:

- a) Subsidy Layering – DCA conducts a subsidy layering review at the time of project set-up. Prior to approving the set up of a project, proposed source of funding is examined and cost reasonableness is determined.
- b) Environmental Review – DCA requires each Recipient to submit a site specific environmental assessment for all proposed project sites prior to approving a set up. The level of review required is predicated upon the type of activity proposed, but at a minimum will include historic preservation, lead-based paint, wetlands, floodplains, site and neighborhood, uniform relocation, and toxic sites. The pre-set up process allows DCA to monitor the clearance of environmental concerns prior to the commitment of HOME funds for that activity.
- c) Uniform Relocation Act – Compliance with acquisition and relocation requirements is monitored during the pre-set up phase of the project. Recipients, when administering down payment assistance activities, are monitored to ensure the property is acquired properly and does not trigger relocation requirements. Owner occupied rehabilitation is not eligible for relocation assistance under CHIP; however, if the level of work requires the family to temporarily vacate their residence, the Recipient is responsible to cover relocation expenses. DCA monitors the recipient's process for relocating the affected families.
- d) Other Federal Requirements – DCA requires Recipients to adopt DCA's Policies and Procedures and Rehabilitation standards that document the Recipient's process for compliance. Recipients are required to provide complete details of their contracting requirements, Minority Business Enterprise and Women Business Enterprise Outreach Plan, Affirmative Fair Housing Marketing Plan, and Section 3 Plan. These requirements must be cleared prior to DCA entering into an agreement to commit funds to the recipient.

Periodically, DCA issues CHIP policy memoranda to all active Recipients and Administrators providing clarification of CHIP programmatic issues and/or to provide updates.

In addition to technical assistance visits, DCA will also review each Recipient record and conduct housing inspections to ensure that all applicable state and federal requirements are being met. Generally, a letter will be sent shortly after each monitoring visit to provide feedback about both positive aspects of the program as well as to discuss solutions to any problems noted during the monitoring visit.

Section 12. Avoiding Conflicts of Interest

Whenever a Recipient is directly contracting for goods and services, the entity must comply with the Conflict of Interest provision in 24 CFR §85.36, 24 CFR, and §84.4224 CFR §92.356.

Whenever the Recipient is not a direct party to a contract, the following Conflict of Interest provisions apply:

- A. Conflicts prohibited. No persons described in Paragraph B below who exercise or have exercised any functions or responsibilities with respect to activities assisted with CHIP funds or who are in a position to participate in a decision making process or gain inside information with regard to these activities, may obtain a financial interest or benefit from a HOMECHIP-assisted activity or have an interest in any contract, subcontract or agreement with respect thereto, or in the proceeds there under, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.
- B. Persons Covered. The conflict of interest provisions of Paragraph A above apply to any person who is an employee, agent, consultant, officer, or elected official or appointed official of the state,

or of a unit of general local government, or of any designated public agencies, or recipients that are receiving or administering CHIP funds.

1. Definition of Family or Business Ties. DCA defines the meaning of the term “family or business ties” as follows:
 - Family: “A group of people related by ancestry or marriage; relatives.”
 - Business: “The buying and selling of commodities and services; commerce, trade.”
 - Ties: “Something that connects, binds or joins; bond; link.

- C. Exceptions: Upon written request, DCA may grant an exception to the provisions of Paragraph A above on a case-by-case basis, **before federal funds are committed to an activity at Set up**, when it determines that the exception will serve to further the purposes of CHIP. To seek an exception, a written request for an exception must be submitted to DCA by the Recipient that:
 1. Fully discloses the conflict or potential conflict of interest, prior to the unit of government undertaking any action which results or may result in a conflict of interest, real or apparent;
 2. Describes how the conflict of interest was publicly disclosed; and,
 3. Includes a written opinion of the Recipient attorney that the interest for which the exception is sought would not violate state or local law.

- D. Factors to be considered for exceptions: In determining whether to grant a requested exception after the Recipient has satisfactorily met the requirement of Paragraph D, DCA will consider the cumulative effect of the following factors, where applicable:
 1. Whether the exception would provide a significant cost benefit or an essential degree of expertise to the program or project which would otherwise not be available;
 2. Whether the person affected is a member of a group or class of low-income persons intended to be the beneficiaries of the assisted activity, and the exception will permit such a person to receive generally the same interests or benefits as are being made available or provided to the group or class;
 3. Whether the affected person has withdrawn from his or her function or responsibilities, or the decision making process with respect to the specific assisted activity in question;
 4. Whether the interest or benefit was present before the affected person was in a position as described in Paragraph B;
 5. Whether undue hardship will result either to the Recipient or the person affected when weighed against the public interest served by avoiding the prohibited conflict; and,
 6. Any other relevant considerations presented to DCA;
 7. Owners and Developers. No owner, developer or sponsor of a project assisted with CHIP funds (or officer, employee, agent or consultant of the owner, developer or sponsor) whether private, for profit or non-profit may occupy a CHIP-assisted affordable housing unit in a project. Any exceptions must be approved in advance by DCA and then only when the Recipient can demonstrate to DCA that the exception will serve to further the purposes of CHIP.

This provision does not preclude an income eligible, volunteer/owner participating in the construction of a single-family dwelling unit as part of a self-help homeownership program (e.g. Habitat for Humanity) when the individual is not an official, employee, agent, or consultant of the developer.

NOTE: If you have any questions regarding who may or may not be covered under the conflict of interest provisions above, please call DCA immediately to discuss such matters **prior to** entering into contracts or disbursing money. Also, please see DCA's required "Certification as to Conflict of Interest" (CC-6). **It is important to remember that any exceptions to the conflict of interest regulations must be approved by HUD.**

Section 13. Amendments, Budget Revisions, and other Adjustments to Your Program

Award Adjustment

Recipients that are approved for an award adjustment for project-related funds will also receive a corresponding percentage adjustment of administrative funds.

Program Amendment

Recipients must request a program amendment and receive prior approval from DCA in the following instances:

1. If the addition of a new activity or deletion of an approved activity is proposed;
2. If any activity is proposed that deviates from any designated target areas or targeted client population;
3. If a revision is proposed which will result in a transfer between approved budget activities or in a change in any activity's budget allocation of an amount; and,
4. If the Recipient plans to deviate from the planned number of stick-built or modular homes for a homeowner rehabilitation activity and undertake, in lieu of stick-built homes, the rehabilitation of owner-occupied manufactured housing,
5. If the target area changes. (Will need to amend the lower portion of the CHIP-2 form ("Poverty Statistics by Census Tract") included in your original application to identify all of the census tracts that will be included in the revised program target area and identify the corresponding percentage of persons in poverty for each census tract. Please also include a map to identify the new target area.

A request for program amendment must provide sufficient narrative information to adequately explain and justify the proposed amendment. The narrative request must delineate the proposed adjusted program budget and not just the proposed changes. If applicable, the narrative request must be accompanied by a revised target area map and a revised budget if applicable.

If the proposed amendment is approved or denied, DCA will issue a CHIP Grant Notice and, if approved with an amended Appendix A – Use of Grant to the original Agreement if applicable.

Request to Exceed Maximum:

All requests to exceed the Recipient's maximum of assistance as set forth in the Recipient's approved award must be forwarded by mail to DCA for review, approval or denial. This includes the cost of lead hazard control activities, increased costs due to change orders and other increases in cost that necessitates a request to exceed the maximum amount of CHIP funds by activity.

All requests to exceed maximum must include a cover letter describing the justification for the request.

If the request to exceed maximum is due to the cost of lead hazard control activities, the request must include the following:

1. The regular rehabilitation work write-up and cost estimate;
2. The lead based paint risk assessment report, if applicable; and,
3. Lead hazard reduction work write-up and cost estimate, based on the results of the lead based paint risk assessment.

CHIP Request to Exceed Maximum letters should be emailed to: CHIP@dca.ga.gov

DCA will either approve or deny the request to exceed maximum by issuing a Grant Notice.

Section 14. Keeping Records for Your Program

The Recipient must maintain financial and programmatic records covering all financial transactions and demonstrating compliance with all HOME regulations and other state requirements in an accessible manner for a minimum of five (5) years from the date of program close-out except under the following circumstances:

1. Records pertaining to projects which have an applicable affordability period must be maintained for five (5) years after the end of the affordability period;
2. Written agreements must be retained for five (5) years after the agreement terminates;
3. Records pertaining to displacement and relocation must be maintained for five (5) years after the last payment is made to which the displaced or relocated persons are entitled in accordance with §92.353; and,
4. Records pertaining to any disputes, appeals, etc., must be kept until the dispute is resolved or the regular retention period has expired, whichever is later.

The Recipient must provide citizens, public agencies, and other interested parties with reasonable access to records, consistent with applicable state and local laws regarding privacy and obligations to confidentiality.

The State of Georgia, HUD, the Comptroller General of the United States, and any of their representatives have the right to access any pertinent books, documents, papers, or other records of the Recipient in order to make audits, examinations, excerpts, and transcripts.

At program close-out or at any point in time should an Administrator and a Recipient terminate their contractual agreement, all records related to the grant must be turned over to the Recipient. The Recipient should include this provision as part of any agreement with an Administrator. The Administrator and Recipient should jointly sign a letter of transmittal acknowledging the transfer of the records from the Administrator to the Recipient.

Section 15. Closing Out Your Program

There are two levels of close-out under CHIP: Activity Close-Out and Program Close-Out.

- A. Activity Close-Out. Activity close-out must be completed at time of final draw.

B. Program Close-Out. Within thirty (30) days of payment of all CHIP-funded costs (with the exception of any unsettled third-party claims), the Recipient should inform DCA that the locally administered program using CHIP funds is ready for close out and when the next annual audit is scheduled. The following shall be used by DCA and the Recipient:

1. DCA may conduct a close out review to monitor program and project records for compliance with HOME regulations including reconciliation of draw down records, outstanding monitoring issues, unused funds return, administrative draws, case file reviews, Section 3 compliance, Fair Housing and Equal Opportunity, and record retention.
2. After review and final resolution of any findings, DCA will notify the Recipient of conditional Close-out pending receipt of an acceptable final audit per the requirements of Chapter 4 – Financial Management.
3. Upon receipt of an acceptable final audit, DCA will issue the Recipient a final close-out notice.

Section 16. Sanctions

A. Whenever DCA determines that a Recipient has failed to comply with the CHIP requirements, DCA shall notify the Recipient of the noncompliance and shall request appropriate compliance action. If within a reasonable period of time determined at DCA's sole and absolute discretion the Recipient fails or refuses to comply, DCA may:

1. Refer the matter to the Attorney General with a recommendation that an appropriate action is instituted;
2. Terminate payments to the Recipient;
3. Require repayment of funds spent improperly;
4. Reduce payments to the Recipient by an amount equal to the amount that such payments were not expended in accordance with CHIP requirements;
5. Prohibit the Recipient from participation in future DCA funding opportunities, including those not affiliated with CHIP;
6. Limit the availability of payments to programs or activities not affected by such failure to comply;
or,
7. Take such other action as may be provided by law, regulation or program policies.

B. Opportunity for Consultation. Prior to a reduction, withdrawal, or adjustment of a grant or other appropriate action taken pursuant to Paragraph A of this section, the Recipient shall be notified of such proposed action and be given an opportunity within a prescribed time period for a consultation.

Chapter 2 – Meeting the Federal Requirements in Administering CHIP Funds

The following sections provide additional details regarding some of the most important other federal requirements for both Recipients.

Section 1. Environmental Review Requirements

The Federal regulation governing the environmental review process is 24 CFR Part 58 “Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities” and can be found on the Web at: http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_8699.pdf.

A Recipient may not obligate, drawdown, or expend funds for a covered activity until DCA has issued a

Tier One Approval Letter and Authority to Grant Funds.

The Recipient's Certifying Official is responsible for ensuring that all environmental requirements are met and must sign any official environmental documents. The Certifying Official must be the chief elected officer or a person designated as the Certifying Official by resolution of the governing body.

The Environmental Review Record (ERR): Each locally administered program using CHIP funds must have a written record of the environmental review undertaken. The purpose of this file is to document that the Recipient has complied with all environmental laws and regulations and considered the environmental effects of the project prior to committing funds for construction.

This written record or file is called the "Environmental Review Record" (ERR) and must be available for public review. The ERR must contain a description of the program and of each of its activities, as well as any other document, notice or information, and public comments received pertinent to the environmental review carried out by the Recipient. The ERR will vary in length and content depending upon whether the activities are exempt from all environmental reviews, categorically excluded from NEPA requirements, are found to have no significant impact on the environment, or require preparation of a full environmental impact statement.

The Environmental Review Record generally will contain the following documents:

Homeowner Rehabilitation Assistance or New Construction Activity:

Tier One Review:

- Environmental Assessment Format II and attachments (maps, plans, etc).
- Finding of Exemption for grant administration activities.
- Copies of Environmental Public Notices (including proof of publication):
 - Notice of Intent to Request Release of Funds (NOIRROF) or
 - Concurrent Notice of the Finding of No Significant Effect and Notice of Intent to Request Release of Funds,
 - Comments received pursuant to the Public Notices and the response from the local government.
- Tier One Approval Letter and Authority to Grant Funds

Tier Two Environmental Review:

- Site Specific Environmental Screening Checklist for each address assisted
 - Notice of Early Public Review (if Floodplains and Wetlands are affected)
 - Notice of Explanation (if floodplains and wetlands are affected)
- Notice to Proceed Pre-Set up and Set-up

Section 2. Relocation

Temporary Relocation of Homeowners Whenever primary services (electrical, plumbing, HVAC) are interrupted for a 24-hour period or longer and whenever the scope of rehabilitation constitutes a threat to the health and safety of any resident during rehabilitation, it is the responsibility of the Recipient to require the homeowner to temporarily relocate to another dwelling unit. **CHIP funds may not be used to cover the relocation costs of any CHIP-assisted homeowner.**

Section 3. Housing Loan Program Regulations

Whenever the Recipient operates a loan program on behalf of homeowners or home buyers, all federal Fair Lending and Equal Credit Opportunity laws are in effect. In addition, depending on the type of

financial assistance being offered, the following lending regulations may apply to the CHIP-funded program:

- A. The Truth in Lending Act (Regulation Z), Title I of the Consumer Credit Protection Act, 15 U.S.C.A. 1601. This federal law requires lenders (including State Recipients and Sub-recipients) to fully disclose, in writing, the terms and conditions of a mortgage, including the annual percentage rate and other charges. A Truth in Lending Disclosure Statement must be conveyed to the borrower within three (3) business days after the lender's (including State Recipients and Sub-recipients) receipt of a written application. This is considered "early disclosure." A final disclosure statement of the terms of the loan, especially the amount of interest paid over the life of the loan.
- B. Equal Credit Opportunity Act, 15 U.S.C. 1601 et seq. Regulation B was issued by the Board of Governors of the Federal Reserve System to implement the provision of the Equal Credit Opportunity Act (ECOA). The law was enacted in 1974 to make it unlawful for creditors to discriminate in any aspect of a credit transaction on the basis of sex or marital status. In 1976, through amendments to the Act, it became unlawful to also discriminate on the basis of race, color, religion, national origin, age, receipt of public assistance and the good faith exercise of rights under the Consumer Credit Protection Act.

The primary purpose of the ECOA is to prevent discrimination in the granting of credit by requiring banks and other creditors to make extensions of credit equally available to all creditworthy applicants with fairness, impartially and without discrimination on any prohibited basis. The regulation applies to consumers and other types of credit transactions.

- C. Real Estate Settlement Procedures Act (RESPA). RESPA requires the use of the HUD 1 Settlement Statement, and requires lenders to give borrowers advance notice of closing costs.

Additionally, DCA recommends that all loan closing documents be reviewed by a local attorney knowledgeable about real estate and lending transactions. This review may occur as part of an initial review of form documents during program start-up. Real estate transactions involving Security Deeds, Restrictive Covenants, and other forms of secured loans must be conducted by a closing attorney who is acceptable to both the Recipient and the borrower. In order to gain financial efficiency, DCA recommends that the attorney selected to close any other financing required for the project also be retained to simultaneously close the CHIP loan.

Section 4. Labor Standards

The Copeland Anti-Kick Back Act generally prohibits federal contractors or subcontractors engaged in building construction or repair from inducing an employee to give up any part of the compensation to which he or she is entitled under his or her employment contract and requires such contractors and subcontractors to submit weekly statements of compliance.

The regulations pertaining to Copeland Act payroll deductions and submittal of the weekly statement of compliance apply only to contractors and subcontractors performing on federally funded contracts in excess of \$2,000 and federally assisted contracts in excess of \$2,000 that are subject to federal wage standards.

Section 5. Fair Housing and Equal Opportunity (FH&EO)

Several laws and executive orders address discrimination and economic opportunity. State Recipients and Sub-recipients must certify that they will conduct program activities in accordance with these federal mandates. The following federal and state requirements apply to CHIP-funded activities programs:

- A. Title VI of the Civil Rights Act of 1964, 42 U.S.C. §2000d. Title VI and implementing regulations, as amended, prohibits discrimination on the basis of race, color, national origin, religion, or sex, in program participation or the receipt of program benefits which are funded in whole or in part with federal funds, including CHIP.
- B. Title VIII of Civil Rights Act of 1968, 42 U.S. C. §3601 et seq. Title VIII and implementing regulations as amended, prohibits discrimination in the sale, rental, or financing of a dwelling to any person because of race, color, religion, sex, national origin, handicap, or family status.
- C. The Federal Fair Housing Act, 42 U.S.C. §3601 et seq. 1968 and the Georgia Fair Housing Act, O.C.G.A. §8-3-200 et seq). The Fair Housing Acts requires Recipient to affirmatively further fair housing and provide protection against the following acts, if they are based on handicap, race, color, religion, sex, national origin, or family status:
 - 1. Refusing to sell or rent to, deal or negotiate with any person per Section 804(a);
 - 2. Discriminating in terms or conditions for buying or renting Housing per Section 804(b);
 - 3. Discriminating by advertising that housing is available only to persons of certain family status, race, color, religion, sex, or national origin per Section 804(c);
 - 4. Denying that housing is available for inspection, sale or rent when it really is available per Section 804(d);
 - 5. “Blockbusting” – persuading owners to sell or rent housing by telling them that minority groups are moving into the neighborhood per Section 804(e);
 - 6. Denying to anyone the use of or participation in any real estate services, such as broker’s organizations, multiple listing services or other facilities related to the selling or renting of housing per Section 806;
 - 7. Denying or making different terms or conditions for home loans by commercial lenders, such as banks, savings and loan associations and insurance companies per Section 805;
- D. Affirmative Marketing. In order to affirmatively further fair housing practices in accordance with the HOME Act and 24 CFR §92.351, State Recipients and Sub-recipients must develop and adopt an Affirmative Fair Housing Marketing Plan outlining marketing procedures and requirements which provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, religion, familial status or disability. The Affirmative Fair Housing Marketing Plan must conform to the guidelines provided in this manual and must be approved by DCA prior to initiation of the program by the Recipient.

For more information on writing and adopting your plan, please contact CHIP staff directly or by email at CHIP@dca.ga.gov.

- E. Executive Order 11063 – Equal Housing Opportunity, as amended by Executive Order 12259. A Recipient must take all action necessary and appropriate to prevent discrimination based on race, color, religion, creed, sex, national origin, familial status or disability in the sale, rental, leasing or other disposition of residential property and related facilities, or in the use or occupancy thereof, where such property or facilities are owned or operated by the Federal Government, or provided with CHIP funds and in the lending practices with respect to residential property and related facilities of lending

institutions insofar as such practices relate to loans insured, guaranteed or purchased by the U.S. Department of Housing and Urban Development (HUD).

F. Executive Order 11246 – Equal Employment Opportunity, as amended by Executive Order 11375. The Recipient must agree to the following provisions:

1. Take affirmative action to ensure that applicants and employees are not discriminated against on the basis of race, color, religion, sex, or national origin;
2. Post government supplied notices containing the provisions of this Section;
3. State in all advertising that applicants will be considered without regard to race, color, religion, sex, or national origin;
4. Send notices to appropriate labor unions advising them of the Recipient's commitments and to post copies of these notices;
5. Comply with all the provisions of Executive Order 11246 along with all of the rules, regulations and relevant Orders of the Secretary;
6. Furnish information and reports as required by the Order and the relevant rules, regulations and Order of the Secretary and permit access to materials for the purposes of investigating the employer's compliance with the rules, regulations and order;
7. Submit to the possible cancellation, termination, or suspension of the CHIP-funded program, or to being declared ineligible for future government contracts in the event of noncompliance with this Section or the applicable regulations;
8. Submit to the other sanctions provided for by this Order and the applicable rules, regulations and orders of the Secretary or as otherwise provided by law; and,
9. Include this Section in all non-exempt subcontracts.

G. Minority Business Enterprise Executive Orders 11625, 12432 and 12138. State Recipients and Sub-recipients must make reasonable efforts to encourage the use of minority and women-owned business enterprises (MBE/WBE) in CHIP funded projects. State Recipients and Sub-recipients are required to complete and submit a MBE/WBE Outreach Plan for DCA's approval prior to initiating program implementation.

For more information on writing and adopting your plan, please contact CHIP staff directly or by email at CHIP@dca.ga.gov.

H. Age Discrimination Act of 1975, 42 U.S.C. §6101-07. This Act and its implementing regulations, as amended, prohibit discrimination against any person on the basis of age.

I. Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. §794. Recipient must comply with Section 504 of the Rehabilitation Act of 1973, as amended and HUD published implementing regulations (24 CFR Part 8) as a Final Rule on June 2, 1988. The general requirement is that no otherwise qualified individual with handicaps shall, because a Recipient facilities are inaccessible to or unusable by individuals with handicaps, be excluded for participation in, denied benefits, or otherwise be subjected to discrimination under any program or activity that receive CHIP assistance. The definition

of handicapped includes physical and mental factors and also includes those who may be regarded as handicapped. Building accessibility and employment practices are governed by Section 504.

- J. Americans with Disabilities Act of 1990 (ADA, 42 U.S.C. §12116 et seq.). This Act prohibits discrimination in employment on the basis of disability (Title I) and prohibits discrimination on the basis of disability in state and local government services (Title II). Transitional housing must be in compliance with Title III of the ADA including but not limited to the Americans with Disabilities Act Accessibility Guidelines (ADAAG).
- K. Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. §171U et seq.). This Act requires that, to the greatest extent feasible, opportunities for training and employment arising in connection with planning and carrying out any program grant assisted with HOME funds that receives in excess of \$200,000 (or in excess of \$100,000 to a single contractor) in Federal Funds, be given to low-income persons residing within the program service area. In addition, to the greatest extent feasible, contracts for work (of all types) to be performed in connection with any project must be awarded to business concerns, including but not limited to individuals or firms doing business in the field of planning, consulting, design, maintenance or repair, which are located in or owned in substantial part by persons residing in the program service area. State Recipients and Sub-recipients are required to develop a Section 3 Plan for DCA's approval prior to initiating program implementation. If the grant is for down payment only, the Section 3 requirement does not apply. However, if the grant is for down payment and rehabilitation, then the Section 3 requirements apply.

For information on DCA's Fair Housing Statement, see www.dca.ga.gov/main/Fairhousing.asp

For more information on writing and adopting your plan, please contact CHIP staff directly or by email at CHIP@dca.ga.gov.

Chapter 3 – Written Agreements

Section 1. Written Agreements and Contracts

Before disbursing any HOME funds to any entity, a Recipient must either enter into or oversee the execution of written agreements with that entity, including administrators, contractors, and property owners, that ensure the proper use of HOME funds and compliance with applicable HOME regulations.

The following must be covered in all written agreements:

- A. Written Agreement between Recipient and Administrator. If the Recipient selects a contractor ("Administrator") through applicable procurement procedures and requirements to administer all or a portion of its CHIP funds, the Administrator must provide goods or services in accordance with a written agreement (the contract). The contract must include at a minimum the following provisions:
 - 1. Use of the HOME funds. The agreement must describe the use of the HOME funds, including the tasks to be performed, a schedule for completing the tasks, a budget, and length of the agreement.
 - 2. Program Requirements. The agreement must provide that the Administrator is subject to the requirements of 24 CFR Part 92 that are applicable to Participating Jurisdiction, except that §92.505 and §92.506 do not apply, and the Administrator cannot assume the Participating Jurisdiction's responsibilities for environmental review or decision making and action under

24 CFR §92.352. Where the Administrator is administering only a portion of the program, the agreement must list the requirements applicable to the activities the Administrator is administering.

B. Home Buyer and Homeowner Written Agreements.

1. Home Buyers: The Recipient must enter into a written agreement that conform to the requirements in 24 CFR §92.254 (a) including the value of the property, principal residence, lease-purchase, if applicable, and the recapture provisions. The agreement must specify the amount of the HOME funds, the form of assistance (e.g., grant, down payment, amortizing loan, deferred payment loan, the use of the funds (e.g., down payment, closing costs, rehabilitation) and the time by which the housing must be acquired.

The Recipient and the Borrower will execute up to eight documents in connection with the CHIP assistance:

- a. Grant Agreement (CL-2)
- b. Promissory Note for Down Payment Assistance Activity (CL-4D)
- c. Collateral Assignment Agreement (CL-5)
- d. The Truth-in-Lending-Act (TILA) and the Real Estate Settlement Procedures Act (RESPA) disclosure forms
- e. Down Payment Assistance Subordinate Deed to Secure Debt (CLA-11)
- f. Down Payment Assistance Loan Agreement (CLA-12)
- g. Real Estate Note (CL-A10)
- h. Estoppel Certificate, if applicable

The required CHIP Loan/Grant documents for Home Buyer Assistance activities are provided in this Manual. (See Tab “Loan Documents”)

2. Homeowners:

The Recipient must enter into a written agreement that conform to the requirements in 24 CFR §92.254(b) and specify the amount and form of assistance, rehabilitation work to be undertaken, date for completion, and property standards to be met.

The Recipient and the Borrower will execute ten documents in connection with a CHIP homeowner rehabilitation or re-construction project:

- a. Homeowner Rehabilitation Assistance Deed to Secure Debt (CL-1)
- b. Grant Agreement (CL-2)
- c. Homeowner Rehabilitation Assistance Loan Agreement (CL-3)
- d. Promissory Note for Homeowner Rehabilitation Assistance (CL-4R)
- e. Collateral Assignment Agreement (CL-5)
- f. The Truth-in-Lending-Act (TILA) and the Real Estate Settlement Procedures Act (RESPA) disclosure forms
- g. Homeowner Notice of Right to Rescind (CL-9)
- h. Homeowner Rehabilitation Real Estate Note (CLA-10)
- i. Homeowner Affidavit to Execute Amended Promissory Note (CLA-13)
- j. Estoppel Certificate, if applicable

The required CHIP Loan/Grant documents for Homeowner Rehabilitation Assistance activities and are provided in this Manual. (See Tab “Loan Documents”)

- C. Contract between the Construction Contractor and the Homeowner: This agreement must be between the homeowner and a company that is providing construction services. This document should contain provisions that define a sound and complete agreement including pricing, timeframes, general conditions, (job site behavior, insurance requirements, licensing, draw procedures, change order procedures, warranties, retainage and contingency, etc), scope of work (work write-up), material specifications and minimum workmanship, subcontractor requirements (licensed trades, etc.) and any other local requirements. In order to cover CHIP regulatory issues, the DCA Addendum to Construction Contract CRA10 must be added to all construction contracts.

Chapter 4 - Financial Management

The financial management and administration of CHIP funded programs is regulated by the HOME Act and four federal circulars: Governmental entities are covered under 24 CFR Part 85 (The “Common Rule” – See Appendix R for the copy of the rule) and OMB Circular A-87; and Non-profit (sub-recipients) under OMB Circular A-122 and 24 CFR part 84.

This chapter attempts to clarify the requirements contained in the regulations and federal circulars. In addition, suggested formats and procedures have been included whenever appropriate.

Section 1. Financial Management System – General Requirements

- A. Provide accurate, current, and complete disclosure of the financial activities funded by CHIP awards and adequately meet the reporting goals set forth in Chapter 1, Section 11 of this Manual – “Monitoring and Reporting Your Program’s Progress.” Financial records should be established and maintained in such a manner as to facilitate the reporting and monitoring of expenditures and obligations for each housing unit receiving assistance under your local program.
- B. Maintain records on an activity by activity basis that identify clearly and adequately the source and application of funds of all CHIP funded activities.
- C. Maintain effective control over and accountability for all funds, property, and other assets, safeguarding these assets and insuring that they are used solely for authorized purposes.
- D. Provide comparison of actual expenditures to budgeted expenditures;
- E. Include procedures to minimize the time elapsing between the drawdown of funds from DCA and the disbursement of those funds by the Recipient within seven (7) business days or less.
- F. Provide procedures for ensuring the reasonableness, allocability and allow ability of cost in accordance with OMB Circular A-87 (or A-122 for Sub-recipients) and the applicable grant award;
- G. Include source documentation to support the accounting records.
- H. Provide for audits made by qualified and independent audit firms of established management systems and internal control procedures. An audit shall be conducted annually and in accordance with Section 7 of this chapter entitled “Audit Requirements.”
- I. Maintain source documents (appropriation ordinances, purchase orders, invoices, journal vouchers, cash receipts, banks deposit receipts, etc.) that support all financial transactions relating to CHIP funded activities.

- J. Maintain accounting records that make it possible to identify the source and application of all funds committed to CHIP-supported activities. Local contributions to the program and income applied to the program should also be clearly identified.
- K. Include procedures to ensure that sound internal accounting controls are maintained over financial transactions and that effective control is maintained to safeguard physical assets.
- L. Ensure that costs incurred in CHIP activities are allowable only under the following conditions:
 - 1. The award has been properly accepted as described in Chapter 1, Section 1 of this Manual;
 - 2. Costs are incurred on or after the date of receipt of Tier One Environmental Clearance or receipting of a Finding of Exemption.
 - 3. Costs are accounted for in accordance with Generally Accepted Accounting Principles (GAAP) and are not prohibited by Federal, State or local laws:
 - 4. Costs are authorized in the award made by GHFA;
 - 5. Costs are incurred for activities eligible under CHIP;
 - 6. All appropriate credits have been applied;

Section 2. Suggested Accounting Procedures

A. Organization of the Accounting System

- 1. One individual should be designated to oversee the financial transactions related to CHIP. This individual, who serves as fiscal coordinator, should approve all purchase documents, contract invoices, payroll actions, etc. that affect CHIP funds; however, this person should not perform the disbursing and recording functions which are typically accomplished by the accounting staff.
- 2. The CHIP accounting system should be designed to maximize internal control. The concept of internal control refers to policies and procedures of your jurisdiction designed primarily to safeguard assets such as cash, inventory, and equipment.
- 3. The person designated as the fiscal coordinator might be a member of the finance or accounting department or a member of the chief elected official or city or county manager's staff if a Recipientand, in the case of a Sub-recipient, a board member of the nonprofit entity. Where a community development department has been established, a fiscal coordinator may be designated within the department to perform these duties.

B. Fund Structure and Double Entry Bookkeeping

- 1. A separate special revenue fund entitled the "Community HOME Investment Program Fund" must be established in conformance with the Uniform Chart of Accounts (H.B. 491) requirements. CHIP monies should only be accounted for within this fund.
- 2. A complete set of general ledger and subsidiary accounts should be maintained for the fund. Accounting within this fund should be conducted on the double entry basis where debit (DR) and credit (CR) balances are maintained for each general ledger account and the sum of all debits equals the sum of all credits.

3. The first step in the accounting process is to establish all the accounting records and files that should be maintained, including:
 - * Open Purchase Order File
 - * Open Contracts File
 - * Pending Payment File
 - * Pending Receipts File
 - * Personnel Payroll File
 - * Cash Receipts Register
 - * Cash Disbursements Register
 - * General Journal
 - * General Ledger
 - * Fixed Assets Ledger
 - * Cash Control Ledger
 - * Expenditure Summary Report
 - * Receivable and Payable Subsidiary Ledgers, and
 - * Permanent Files

4. Establishing the Accounting Records. The following steps are suggested:
 - a. Establish the **Open Purchase Order File**, which contains purchase orders that have been issued but not filed. These unfilled purchase orders should be filled in sequence according to purchase order number.

 - b. Establish the **Open Contracts File** with a Section for each open contract. Contract summary forms, a copy of the contract, contract invoices, and related correspondence should be filed in each Section.

 - c. Establish the **Pending Payments File**, which contains all invoices and payment vouchers that have been approved for payment. The supporting documentation should be filed by due date with periodic reviews of the file to ensure timely payment.

 - d. Establish the **Pending Receipts File**, which contains documents to identify payments expected to be received. When the amounts are received, supporting documentation should be attached to the invoice or other form; the transaction should be recorded on the Federal Cash Control Register and posted to the Receivables Subsidiary Ledger; and the funds should be deposited on a timely basis.

 - e. Establish the **Personnel Payroll File**, which contains a Section for each city employee or not for profit employee who has worked on CHIP activities. Items within each Section should be filed by date. For each employee, the file will contain the following:
 - * Personnel Service Rate Computation
 - * CHIP Personnel Timesheet
 - * Personnel Payroll Distribution Worksheet

 - f. Establish the **Cash Receipts Register**. This register should be maintained in a loose-leaf binder to document all cash receipts.

 - g. Establish the **Cash Disbursements Register**. This register should be maintained in a loose-leaf binder to document cash disbursements.

- h. **General Journal** entries are prepared to record accounting transactions that do not involve cash receipts or disbursements. Journal entries should be prepared for adjustments and special actions such as CHIP budget, year-end accruals, etc.
- i. Establish a **General Ledger** account page for each general ledger account in the chart of accounts. These pages can be maintained in a loose-leaf binder so that new accounts or continuation pages can easily be added.
- j. Establish the **Fixed Asset Ledger**. This ledger should be maintained in loose-leaf form to control all fixed assets acquired in whole or in part using CHIP funds.
- k. Establish a **Cash Control Register**. Enter the fiscal year at the top. A separate Cash Control Register should be maintained for each fiscal year.
- l. Establish an **Expenditure Summary Report** page for each budget line item. It is possible to combine more than one project on a page, depending on the volume of transactions. These pages should be maintained in loose-leaf form.
- m. Establish a **Receivable and Payable Subsidiary** Ledger if and when advances or loans are made or goods and services are purchased on account. The ledger should be maintained in loose-leaf form. A separate record should be established for each person who has received a loan or an advance, and for each individual vendor to whom money is owed.
- n. Establish the **Permanent Files**, which should parallel the organization of the aforementioned accounting records, files and reports.

Section 3. Uniform Chart of Accounts

For all State Recipients, in 1997, the Georgia General Assembly passed the Local Government Uniform Chart of Accounts and Reporting Act (HB 491). Beginning in state fiscal year 2002, local governments must adopt and use a state published uniform chart in their accounting records; audited financial statements, including Comprehensive Annual Financial Reports (CAFRs); and reports to state agencies. All transactions must be classified in conformity with the fund, balance sheet, revenue, and expenditure classification descriptions contained in the state publications "Uniform Chart of Accounts for Local Governments in Georgia," available from DCA.

If assistance in setting up your financial system is required, DCA should be contacted immediately.

Section 4. Recordkeeping and Retention Requirements

- A. General Requirements. The Recipient must establish and maintain sufficient records to enable DCA and HUD to determine compliance with all applicable HOME regulations, CHIP policies, and local program policies and procedures.
- B. Records During Program Operation. During program operation, records pertaining to all program and project activities must be kept in a well organized manner (see sample filing format below) and in a location accessible to DCA (and others as needed).
- C. Records After Program Close-out. The Recipient have a fiduciary responsibility to maintain the original files associated with the CHIP grant for the required record retention period. All programs records

(including expired loan documents) may be stored in an acceptable record storage facility during the required retention period.

D. Record Retention Period. All CHIP program records must be kept in accordance with Chapter 1 of this Manual and the HOME Final Rule.

E. Sample Program Records Filing Format

While the format of the filing system may vary from community to community, the basic files listed below should be maintained by all State Recipients and Sub-recipients to ensure compliance with your Agreement with DCA and to facilitate your day to day administration of the funds. Individual case files should be maintained for each household. Please see the Appendices for the Checklist for Down Payment Assistance Projects and the Checklist for Homeowner Rehabilitation Projects.

1. *Grant Application File*

- * Copy of Application
- * Correspondence about application
- * Low/very low income data - Copy of HUD's Income Guidelines
- * Target area surveys

2. *Grant Award File*

- * Grant Agreement with GHFA with Appendices
- * Revisions to the Grant Agreement Appendices
- * Correspondence with DCA
- * Grant Adjustment Notices
- * DCA Notices
- * Administrator Agreement, if applicable
- * Policies and Procedures

3. *Application/Project Files*

- * Application Form
- * Income Verification Documents
- * Certification as to Income and Principal Residence
- * Conflict of Interest
- * Correspondence
- * Declaration of Citizenship Status
- * Work Write-up and Cost Estimates
- * Project Budget (Sources and Uses) Worksheets
- * Documentation of other private/public funds
- * Approvals/Denials
- * Project Set-Up Reports
- * U.S. Citizenship Verification – Contractors and Subcontractors
- * Contractor Bid and Award Notice
- * Contract Addendum
- * Notices to Proceed
- * Contractor Payment Request
- * Change orders
- * Certificate of Occupancy if new construction
- * Inspection Reports

- * Homeowner Rehabilitation Assistance Activity Completion Form
- * Source of verification of Property Ownership
- * Award letter to borrower
- * Proof of Ownership of Land for Mobile Home
- * Documentation for age of Home
- * Actual Closing Cost HUD 1 Settlement Statement
- * Defective Paint Inspection Report
- * Visual Assessment Inspection Report
- * Homeowner Rehabilitation Assistance Loan Agreement
- * Grant Agreement
- * Homeowner Rehabilitation Assistance Deed to Secure Debt
- * Promissory Note for Homeowner Rehabilitation Assistance
- * Good Faith Estimate of Closing Costs
- * Truth in Lending Disclosure Statement
- * Homeowner Notice of Right to Rescind
- * Certificate of Homeowner's Insurance
- * Homeowner Receipt of Lead Based Paint Pamphlet and Reports
- * URA Contract Addendum
- * Guide Form Notice for Prospective Tenant

4. *Drawdown Information*

- * Authorization Agreement for Automatic Deposits
- * Grantee Authorized Signature Card
- * Certification
- * CHIP Drawdown Request Form
- * Invoices for Project Delivery Costs and Administration costs

5. *Reports*

- * Section 3 Report
- * Documentation of HOME Match Contribution
- * Contractor and Subcontractor Activity Report

6. *Environmental Review Record*

- * Environmental Assessment Format II
- * DCA CHIP/HOME Environmental Screening Checklist for each project
- * Site Specific Environmental Screening Checklist
- * Treatment Documentation for triggered regulations (e.g. Historic Preservation)
- * Selected Professionals used for treatment (e.g. Qualified Professional selected under the Programmatic Agreement for Historic Preservation)

7. *Fair Housing and Equal Opportunity Files*

- * Beneficiary Data (race, ethnicity, disability, age, income of applicants and recipients of direct benefits)
- * Affirmative Marketing Plan, Actions taken, and Accomplishments
- * MBE/WBE Outreach Plan, Actions taken, and Accomplishments
- * Section 3 Plan and Related Accomplishments

8. *Labor and Contract Documentation*

- * Request for proposals
- * Invitation to Bid
- * Bid openings minutes
- * Contract (actual contracts in project files)
- * Contract Change orders (actual change orders in project files)
- * Contract budget spreadsheets
- * Contract monitoring activities
- * Contractor approval forms
- * Notice to Proceed
- * HUD Debarment Clearance Letter
- * Certificate of Contractor's Insurance
- * Evidence of Site Inspections
- * Copy of Final Code Inspection by local code official
- * Release of Liens by General Contractor and subcontractors
- * Appliance/Mechanical Equipment Warranty
- * Signed Owner's Satisfaction Statement

9. *Financial Expenditure Documentation*

- * Itemized Invoices for project Delivery Costs and Administration Costs
- * Approved payment forms
- * Copy of checks paid for project cost
- * CHIP Drawdown Request form

10. *Audit*

Section 5. Procurement Standards for Contracts Entered into by Recipients

The Recipient is the responsible authority with regard to all contracts entered into directly between the Recipient and the Administrator contractor, and without recourse, to DCA regarding the settlement and satisfaction of all contractual and administrative issues arising out of procurements entered into, in connection with a CHIP-funded activity. Matters concerning violation of law are to be referred to such local, State or Federal authority as may have proper jurisdiction. However, Recipient are encouraged to contact DCA for assistance in any procurement matter.

The following procurement standards shall apply to all transactions entered into directly between the Recipient and the Administrator:

- A. Recipients may use their own procurement regulations which reflect applicable State and local law, rules and regulations provided that all procurement made with CHIP funds meets the following standards:
1. The Recipient must maintain written codes or standards of conduct to govern the performance of its officers, employees or agents in contracting with and expending CHIP funds. A Recipient's or Recipient's officers, employees or agents shall neither solicit nor accept gratuities, favors or anything of monetary value from contractors or potential contractors. No employee, official or agent of the Recipient may participate in the selection, or in the award or administration of a contract supported by CHIP funds if a conflict of interest, real or apparent, is involved. (See Chapter 1, Section 12: Avoiding Conflicts of Interest)

Recipients may set minimum rules where the financial interest is not substantial or the gift is an unsolicited item of nominal intrinsic value.

To the extent permissible by State or local law, rules or regulations, the Recipient's standards must provide for penalties, sanctions, or other disciplinary actions to be applied for violations of such standards by either the Recipient officers, employees, or agents, or by contractors or their agents.

2. It is national policy to award a fair share of contracts to small, minority, and women business enterprises. Accordingly, affirmative steps must be taken to assure that small and minority businesses are utilized where possible as sources of supplies, equipment, construction and services. Each Recipient must develop a Minority and Women Business Enterprise Outreach Plan which conforms to the MBE/WBE Outreach Plan Guide form.
3. All procurement transactions entered into by the Recipient regardless of whether negotiated or advertised and without regard to dollar value shall be conducted in a manner so as to provide maximum open and free competition. The Recipient must be alert to organizational conflicts of interest or non-competitive practices among contractors which may restrict or eliminate competition or otherwise restrain trade.

Examples of what is considered to be restrictive of competition include, but are not limited to:

- a. Placing unreasonable requirements on firms in order for them to qualify to do business;
 - b. Non-competitive practices between firms;
 - c. Organizational conflicts of interest; and
 - d. Unnecessary experience and bonding requirements.
4. Each Recipient must have written selection procedures which provide, at a minimum, the following procedural requirements:
 - a. A clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description must not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured and, when necessary, set forth minimum essential characteristics and standards to which it must conform to be satisfactory. Detailed product specifications should be avoided if at all possible. When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a "brand name or equal" description may be used as a means to define the performance or other important requirements related to procurement. The specific features of the named brand which must be met by bidders must be clearly stated;
 - b. All requirements which bidders must fulfill and all other factors to be used in evaluating bids or proposals;
 - c. Awards shall be made only to responsible contractors who possess the potential ability to perform successfully under the terms and conditions of a proposed procurement. Consideration must be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources;

- d. Proposed procurement actions must be reviewed by Recipient officials to avoid purchasing unnecessary or duplicative items. Where appropriate, an analysis must be made of lease and purchase alternatives to determine which would be the most economical and practical procurement. Consideration should be given to consolidating or breaking out purchases to obtain a more economical proposal.
- e. A Recipient must perform some type of cost or price analysis in connection with every procurement action including contract modifications and must only permit allowable costs to be included. *THE COST PLUS A PERCENTAGE OF COST METHOD OF CONTRACTING SHALL NOT BE USED. IN ADDITION, CONTRACTS WITH OTHER PUBLIC AGENCIES WILL ONLY ALLOW ACTUAL COST TO BE PAID. NO PROFIT IS ALLOWABLE WHEN CONTRACTING WITH OTHER PUBLIC AGENCIES.*
- f. Recipients must maintain records sufficient to detail the significant history of all procurements. These records must include, but are not necessarily limited to, information pertinent to rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the cost or price.
- g. Recipients must maintain a contract administration system that insures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase order.

B. Method of Procurement. There are 4 methods of procurement which can be used by Recipients if authorized by DCA's adopted standards:

1. **Small purchase procedures** which can be used for procurement under \$25,000 and which require that price or rate quotations be obtained from an adequate number of qualified sources. These quotations should be clearly documented in the Recipient's or Recipient's files. Refer to the "Small Purchase Procedures Manual" for assistance. **NOTE that this method is not appropriate for procurement of professional services.**
2. **Competitive sealed bids (formal advertising)** where sealed bids are publicly solicited and a firm-fixed-price contract (lump-sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is lower in price.

In order for formal advertising to be feasible, appropriate conditions must be present, including, as a minimum the following:

- a. A complete, adequate and realistic specification or purchase description;
- b. Two or more responsible suppliers are willing and able to compete effectively for the grantee's business;
- c. The procurement lends itself to a firm-fixed price contract, and selection of the successful bidder can appropriately be made principally on the basis of price;
- d. A sufficient time prior to the date set for opening of bids, bids must be solicited from an adequate number of known suppliers. In addition, the invitation must be publicly advertised;
- e. The invitation for bids, including specifications and pertinent attachments, must clearly define the items or services needed in order for bidders to properly respond to the invitation;

- f. All bids must be opened publicly at the time and place stated in the invitation for bids;
 - g. A firm-fixed-price contract award must be made by written notice to that responsible bidder whose bid, conforming to the invitation for bids, is lowest. Where specified in the bidding documents, factors such as discounts, transportation cost and life cycle cost must be considered in determining which bid is lowest; and,
 - h. Any or all bids may be rejected when there are sound documented business reasons that to do so would be in the best interest of the program.
3. **Competitive negotiation** is a method of procurement where proposals are requested from a number of sources and the Request for Proposal (RFP) is publicized. Negotiations should be conducted with more than one of the sources submitting offers, and either is fixed-price or cost-reimbursable type contract is awarded, as appropriate. A Recipient should perform a systematic analysis of each contract item or task to assure adequate service and to offer reasonable opportunities for cost reductions. Competitive negotiation may be used if conditions are not appropriate for the use of formal advertising. If competitive negotiation is used for procurement under a grant, the following requirements apply:
- a. Proposals must be solicited from an adequate number of qualified sources to permit reasonable competition consistent with the nature and requirements of the procurement. The Recipient should send a letter with a copy of the RFP to a number of "known providers". When soliciting firms to develop application/administer projects, RFPs should be sent to at least 7 known providers. When soliciting engineering/architectural services, RFP's should be sent to at least 10 known providers. As a service to applicants, recipients and others, DCA maintains a list of professionals who have expressed an interest in proposing on CHIP projects. This is not an "approved" list. DCA does not approve or disapprove professionals. This is the applicant or recipient's responsibility. The Request for Proposals must be publicized and reasonable requests by other sources to compete must be honored to the maximum extent practicable. A "Solicitation" request by the Recipient for contracts other than application development/project administration and architectural/engineering services must be specifically addressed to a list of several potential bidders identified by the Recipient. To "publicize" the RFP, the Recipient must offer the RFP through publication in a newspaper with adequate circulation or publication by other means such that reasonable exposure to potential bidders can be expected.
 - b. The Request for Proposals must identify all significant evaluation factors, including price or cost where required and their relative importance.
 - c. The Recipient must have mechanisms for technical evaluation of the proposals received; for determining responsible bidders; and for engaging in written or oral communication with the providers in the selection process.
 - d. Award may be made to the responsible bidders whose proposal will be most advantageous to the procuring party, price and other factors considered. Unsuccessful bidders should be notified promptly.
 - e. State Recipients and Sub-recipients may utilize competitive negotiation procedures for procurement of architectural/engineering professional services, whereby competitors' qualifications are evaluated and the most qualified competitor is selected subject to negotiation of fair and reasonable compensation.

- f. If “competitive negotiation” is not successful, then the Recipient must receive “sole source” approval from DCA prior to contracting.
 4. **Non-competitive** or “sole source” procurement requires prior DCA approval for professional services regardless of the contract amount and for all other contracts if over \$25,000 and may be used when:
 - a. The item or service is available from only one source;
 - b. Urgent public need will not allow for the delay caused by advertising;
 - c. Although a number of bids were solicited, only one response was received; and,
 - d. Such contracts shall be made with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of a proposed procurement. Consideration shall be given to such matters as contractor integrity, record of past performance, financial and other technical resources, or accessibility to other necessary resources.
- C. **Contract Requirements.** The Recipient must include, in addition to the provisions needed to define a sound and complete agreement, the following provisions in all contracts and sub grants:
 1. Contracts other than small purchases must contain such contractual provisions or conditions which will allow for administrative, contractual or legal remedies in instances where contractors violate or breach contract terms, and provide for appropriate sanctions and penalties.
 2. All contracts in excess of \$10,000 must contain provisions for terminations “for convenience” by the Recipient, including when and how terminations may occur and the basis for settlement. In addition, all contracts must describe conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated because of circumstances beyond the control of the contractor.
 3. All contracts awarded by the Recipient and their contractors or sub-grantees having a value of more than \$10,000 must contain a provision requiring compliance with Executive Order 11246, entitled “ Equal Employment Opportunity”, as amended by Executive Order 11375, and as supplemented in the Department of Labor regulations (41 CFR, Part 60).
 4. All contracts and subcontracts over \$2,000 for construction or repair must include a provision for compliance with the Copeland “Anti-Kickback” Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (23 CFR, Part 3. This act provides that each contractor or sub-grantee shall be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work to give up any part of the compensation to which he is otherwise entitled. The Recipient must report all suspected or reported violations to DCA. (See Chapter 2, Section 5 of this Manual entitled “Labor Standards.”
 5. All negotiated contracts (except those of \$10,000 or less) must include a provision that DCA, HUD, the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the contractor which are directly pertinent to a specific grant program for the purposes of making audit, examination, excerpts, and transcriptions for 3 years after final payment to the Recipient or all pending matters are closed, whichever is longer.

6. Contracts must recognize mandatory standards and policies relating to energy efficiency which are contained in the State Energy Conservation Plan issued in compliance with the Energy Policy and Conservation Act (P.L. 94-163).

Section 6. Bonding and Insurance

Whenever a Recipient enters into direct contracts for services, local procedures relating to bonding and insurance will be followed by Recipient for all contracts of \$40,000 or less. For construction contracts entered into by the Recipient that are over \$40,000 the minimum bonding requirements are as follows:

- A. Contracts between \$40,000 and \$100,000 (as required by State law).
 1. A performance bond from contractors executed in connection with each contract;
 2. A payment bond on the part of the contractor for 100% of the contract price.
- C. DCA strongly suggests that a Recipient require adequate liability insurance from all contractors.

Section 7. Audit Requirements

- A. Recipients must contract for annual independent audits of their financial operations, including compliance with Federal and State law and regulations. The contracts for independent audit must be done in accordance with OMB Circular A-133 if the following circumstances occur:
 1. If a Recipient expends \$500,000 in a year in total Federal Awards for the year;
 2. If a Recipient expends \$500,000 or more in a year, it must submit an annual audit that should be made in accordance with the General Accounting Office Government Auditing Standards and the Single Audit Act amendments of 1996.
- B. Recipients that expend less than \$500,000 in a year in total federal awards are exempt from Federal (but not State of Georgia) audit requirements for that year. However, records must be available for review.
- C. Recipients that are not required to submit an annual audit because they do not meet the OMB Circular A-133 threshold and use CHIP funds within their fiscal year will be required to submit the Project Cost Schedule and the Source and Application Schedule required by DCA. CHIP administrative funds may be used to pay for these financial schedules.
- D. Recipients are required to submit audits according to State laws and regulations.
- E. Audits must be made in accordance with the General Accounting Office Government Auditing Standards, 1994 Revision, OMB Circular A-128, and the Single Audit Act of 1984.
- F. Small business concerns and business concerns owned and controlled by socially and economically disadvantaged individuals shall have the maximum practicable opportunity to participate in the performance of contracts for audit services awarded with CHIP funds. State Recipients and Sub-recipients shall take the following affirmative action to further their goal:
 1. Assure that audit firms owned and controlled by socially and economically disadvantaged individuals as defined in P.L. 95-507 are used to the fullest extent practicable.

2. Make information on forthcoming opportunities available, and arrange timeframes for the audit so as to encourage and facilitate participation by small or economically disadvantaged firms.
 3. Consider in the contract process whether firms competing for large audits intend to subcontract with small or economically disadvantaged firms.
 4. Encourage contracting with small or economically disadvantaged audit firms which have traditionally audited government programs, and in such cases where this is not possible, assure that these firms are given consideration for audit subcontracting opportunities.
 5. Encourage contracting with consortiums of small or economically disadvantaged audit firms as described in paragraph (a) when a contract is too large for an individual small or economically disadvantaged firm.
 6. Use the services and assistance, as appropriate, of the Small Business Administration, the Minority Business Development Agency of the Department of Commerce, and the Community Services Administration in the solicitation and utilization of small or economically disadvantaged audit firms.
- G. A copy of all audit reports shall be provided by the Recipient to DCA no later than 30 days after issuance of the reports and no later than one year after the end of the audit report.
- H. Audits will include at a minimum an examination of internal control systems established to ensure compliance with laws and regulations affecting the expenditure of CHIP funds, financial transactions, and accounts and financial statements, and reports of the Recipient organization. These examinations are to determine whether:
1. There is effective control over and proper accounting for revenues, expenditures, assets and liabilities.
 2. The financial statements are presented fairly in accordance with generally accepted governmental accounting principles.
 3. CHIP funds are being expended in accordance with the terms of the grant award and those provisions of Federal and State Law or DCA regulations that could have a material effect on the financial statements.
- I. In order to accomplish the purposes set forth above, a representative number of charges to the CHIP award shall be tested. The test shall be representative of all cost categories that materially affect the award. The test is to determine whether the charges:
1. Are necessary and reasonable for the proper administration of the program;
 2. Conform to any limitations or exclusions of the CHIP award itself.
 3. Were given consistent accounting treatment and applied uniformly to both CHIP assisted and other activities of the Recipient;
 4. Were net of applicable credits;
 5. Did not include costs properly chargeable to other programs;

6. Were properly recorded (i.e., correct amount and date) and supported by source documentation.
 7. Were approved in advance if subject to prior approval;
 8. Were incurred in accordance with competitive purchasing procedures if covered by Section 5 above; and,
 9. Were allocated equitably to benefiting activities, including non-CHIP activities.
- J. Audits should be made annually. If an acceptable annual audit is completed within a short period of time prior to close out of a CHIP program, DCA will request payment documentation of the un-audited funds and then formally close the grant.
- K. If the auditor becomes aware of irregularities in the Recipient's or Recipient's organization, the auditor shall promptly notify DCA and the Recipient management officials above the level of involvement. Irregularities include such matters as conflicts of interest, falsification of records and reports, and misappropriation of funds or other assets.
- L. The annual audited financial statements shall include:
1. A statement that the audit was conducted in accordance with OMB Circular A-128
 2. Financial statements, including footnotes, of the Recipient organization.
 3. The auditor's report on the financial statement which should:
 - a. Identify the statements examined and the period covered.
 - b. State that the audit was done in accordance with the generally accepted government auditing standards.
 - c. Express an opinion as to whether the financial statements are fairly presented in accordance with generally accepted governmental accounting principles. If an unqualified opinion cannot be expressed, the nature of the qualification should be stated.
 4. A source and application of funds schedule and a "Project Cost Schedule" for all CHIP funds. The appropriate grant number(s) should also be shown. Please note that the Federal Schedule of Financial Assistance can be substituted for the "Source and Application" schedule.
 5. The auditor's reports on compliance and internal control which should:
 - a. Include comments on weaknesses or noncompliance with the systems of internal control, separately identifying material weaknesses.
 - b. Identify the nature and impact of any noted instances of noncompliance with the terms of agreements or with provisions of Federal and State law or regulations that could have a material effect on the financial statements and reports.
 - c. Contain an expression of positive assurance with respect to compliance with the requirements for tested items and negative assurance for untested items.

6. Comments on the accuracy and completeness of financial reports and claims for advances or reimbursement to DCA.
 7. Comments on corrective action taken or planned by the Recipient.
- M. Work papers and reports shall be retained for a minimum of three years from the date of the audit report unless the auditor is notified in writing by DCA of the need to extend the retention period. The audit work papers shall be made available upon request to DCA or its designees and the General Accounting Office or its designees.
- N. Whenever an audit discloses significant findings, the Recipient will be called upon by DCA to take corrective action. Depending upon the nature and seriousness of the inadequacies, drawdown of funds, final close out or a subsequent award of funds from DCA (not limited to CHIP) may be delayed or denied until corrective action has been taken. Additionally, DCA may take any of the actions listed in Chapter 1, Section 15 of this Manual entitled "Sanctions."
- O. All Sub-recipients must submit a copy of their annual audit to the State of Georgia in compliance with OCGA. 50-20-1 through 50-20-8. This requirement does not apply to State Recipients.

Chapter 5 – Compliance

Section 1. CHIP Program Monitoring

CHIP staff will be monitoring the work of the Recipients when a Pre-Set Up (for homeowner rehabilitation activity), Set Up, and/or Draw is requested.

DCA will conduct an in-house desk review during the pre-set up and/or set up phase of all activities. All Recipients will be evaluated for their adherence to locally established policies and procedures.

After all project funds have been drawn, DCA may conduct an on-site close-out review to monitor program and project records for compliance with HOME regulations including reconciliation of draw down records, final quarterly reporting, outstanding monitoring issues, unused funds return, administrative draws, case file reviews and record retention.

DCA staff will provide technical assistance during the program year at the request of Recipients and/or the recipient administrators.

Periodically, DCA issues CHIP policy clarification to all active Recipients and administrators providing explanation of CHIP programmatic issues and/or updates.

Section 2. HUD Monitoring and Associated Forms to Ensure Compliance

When a Participating Jurisdiction (PJ) like the Georgia Housing and Finance Authority accepts HOME funds, it also accepts the responsibility to see that those funds are spent for the program purpose, and in accordance with all applicable Federal regulations and state and local laws. The PJ retains the responsibility even when it relies on other housing partners to carry out all or a portion of its HOME Program activities. Noncompliance with HOME Program rules by any entity can lead to any number of consequences, including the repayment of HOME funds to HUD by the PJ. In regard to Recipients administering the HOME program on behalf of GHFA please reference the sanctions that DCA can impose in the event the local government fails to comply with program requirements.

When HUD monitors DCA's implementation of CHIP, they also randomly select a Recipient to monitor. Whether HUD is monitoring DCA or the Recipient, their review evaluates several functions within the organization's operational system including Financial and Administrative, Program Operations, and Projects. While monitoring may uncover specific instances of noncompliance with program rules, it is generally focused on evaluating whether or not an organization has an effective flow of work and has incorporated checks and balances into its operations so that compliance is built into the standard operating procedures.

Because HUD monitors both DCA and its Recipients, DCA will use the actual HUD monitoring forms found in the "Monitoring HOME Program Performance" booklet prepared by HUD. A copy of the monitoring forms is provided for you in your manual.