



Standards of Conduct

CDBG Recipients

Introduction

Elected officials, employees of Community Development Block Grant recipients and contractors are those responsible for administering the entitlement program and are also responsible for the programs integrity. Following sound business practices, prescribed standards of conduct and HUD requirements will not only protect HUD grant funds but also those who administer the program.

Purpose

This notice provides information on specific activities that you must avoid and identifies key HUD requirements that must be met. The prohibited activities listed here reflect problem areas that have gotten block grant recipients into trouble in the past. The purpose of this flyer is to prevent fraud and officials to these problems ahead of time.

Authorities

The pertinent laws and regulations that apply to the CDBG Entitlement program that you should have copies of are:

- Housing and Community Development Act of 1974 as amended in 1983.
- Community Development Block Grant Regulations (24CFR Part 570).

If you do not have copies of these requirements or need further information, contact your local HUD office.

Program Requirements and Prohibited Activities

1. Conflict of Interest

CDBG Regulations (24 CFR Part 570.611) prohibit conflicts of interest for any CDBG activities under your control or influence.

You May Not . . .

- a) Obtain personal or financial interest or benefits including money, favors, gratuities, entertainment or anything of value that might be interpreted as conflict of interest.
- b) Obtain a direct or indirect interest in any contract, sub-contract or agreement for any CDBG activity. This prohibition extends to contracts in which your spouse, minor child, dependent or business associate may have personal or financial interest. This prohibition extends for a period of one year after you leave your position with a CDBG activity or program.
- c) HUD may grant any exception to this conflict of interest provision if it determines that such an exception will enhance the effectiveness of the CDBG project. Requests for such exceptions must be made in writing to the local HUD office.

1. Procurement and Contracting

OMB Circular A-102, Uniform Requirements for Assistance to States and Local Governments, Attachment 0, applies to the CDBG program. It provides that you *May Not* engage in any of the following practices in your procurement and contract administration:

- a) Circumvent competitive bidding requirements by:
 - failing to advertise for sealed bids or soliciting proposals and engaging in noncompetitive negotiation;



- failing to use established evaluation criteria in negotiations;
 - splitting bids by breaking down contracts into small parts so that purchase order procedures can be used except to meet Minority/Woman Business Enterprise goals;
 - favoring or providing a competitive advantage to any one firm or individual; identifying the names of those invited to bid; and
 - preparing fictitious bids to simulate competition.
- b) Fail to adhere to contract award requirements by:
- allowing excessive price charges;
 - awarding contracts to other than the low bidder without adequate justification; and
 - accepting a bid that does not contain a price for all items or services included in the invitation to bid form.
- c) Fail to verify contractual and programmatic compliance by contractors by:
- authorizing payment for work not completed;
 - falsifying inspection reports;
 - altering contractor invoices; and
 - misusing modification or change orders.
- a record of lump-sum drawdowns. Treasury checks received and balances of federal funds.
- a) Ensure that you maintain financial records. Financial records and files must be maintained for three years.
 - b) Use income generated from grant activities for other eligible activities.
 - c) Use program income before drawing additional grant funds to pay for allowable program expenses.

You Must Not . . .

Draw down more funds than are needed for your CDBG activities and those of sub-grantees.

4. Cost Allowability

You *must* comply with OMB Circular a-87, Cost Principles for State and Local Governments. You **May Not . . .** spend CDBG funds on ineligible activities including:

- a) Expenses required to carry out the regular responsibilities of the general local government.
- b) Partisan political activities (e.g., contributions toward political campaigns, voter registration or candidate forums).

CDBG regulations state that **Must Not . . .**

Use CDBG funds to assist buildings used for the general conduct of government (e.g., city halls, county administration buildings, etc.).

5. Program Monitoring

OMB Circular A-102, Attachment 1, states that you *must* constantly monitor the performance of grant-supported activities to assure that time schedules are being met, projected work units by time periods are being accomplished, and other performance goals are being achieved.

HUD suggests that you . . .

- a) Keep records of your on-site visits to sub-grantees and contractors.
- b) Place special emphasis on your monitoring of the highest risk sub-recipients and contractors.

CDBG regulations state that you must not

Use forms and individuals on HUD's Consolidated List of Debarred, Suspended and Ineligible Contractors and Grantees.

1. Financial Management and Recording Systems. You must comply with the following requirements of OMB Circular A-102, Attachments C, G and CDBG regulations;

You Must . . .

- a) Establish internal controls to safeguard cash, inventory and equipment.
- b) Establish a special ledger account for all CDBG monies.
- c) Maintain financial records including:
 - a register of cash receipts and disbursements;
 - a record of all noncash transactions;
 - general ledger to show the status of each CDBG account;
 - a fixed account ledger; and